

Management

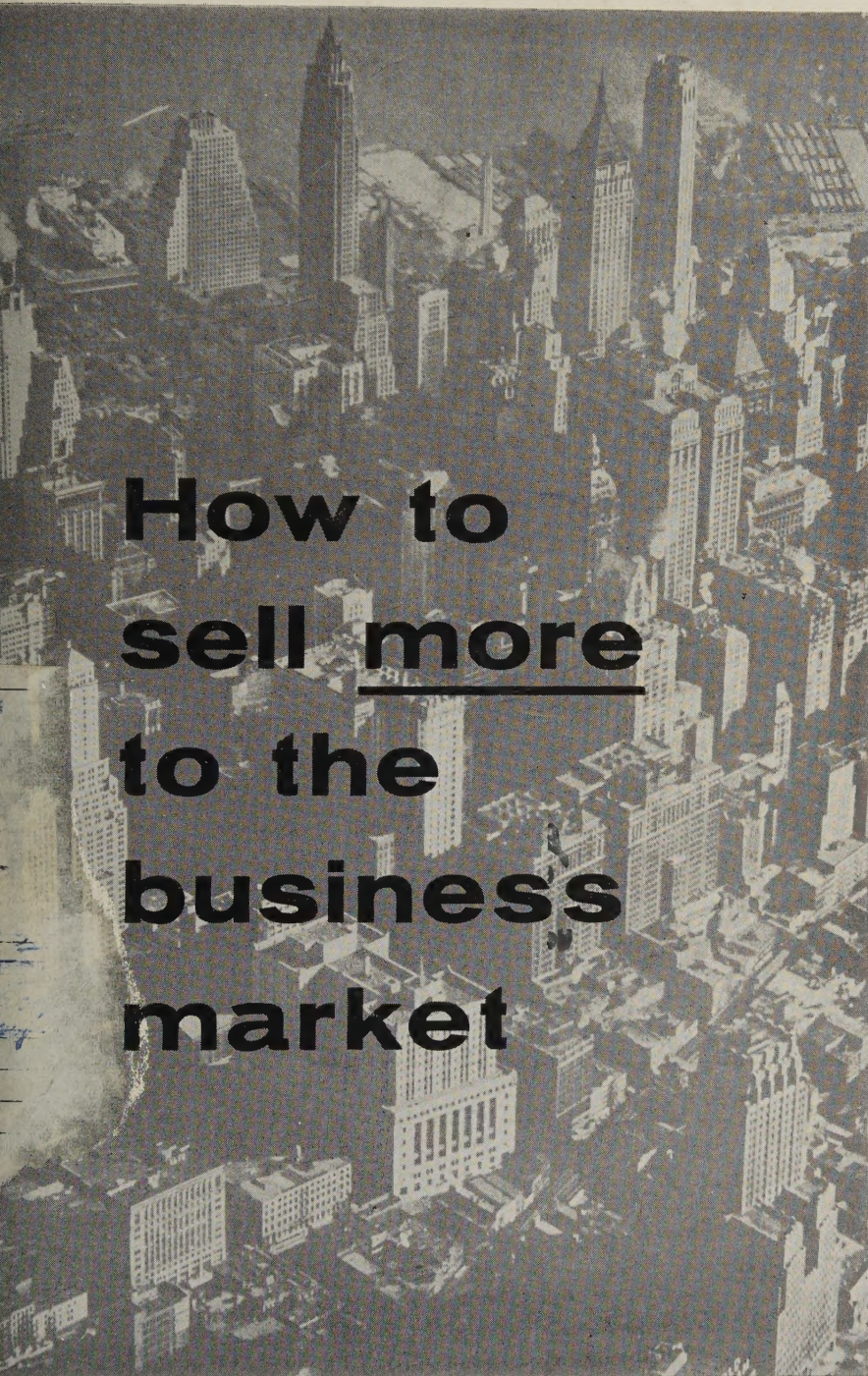
METHODS

OCT 2 1959

AUGUST 1959

PRACTICAL SOLUTIONS TO ADMINISTRATIVE PROBLEMS

DUPLICATE



**How to
sell more
to the
business
market**

SIZE UP A MAN



IN 16 MINUTES

**Why
forecasts
fail**



**ways to
develop
managers**

15

**sell to business, see page 28 for facts
could alter your entire marketing picture.**

UNIVERSITY LIBRARY INFORMATION
SYSTEMS PROJECT

PURCHASED UNDER
UNIVERSITY OF ILLINOIS
RESEARCH BOARD GRANT

SEE COMPLETE
CONTENTS ON
PAGE 3

it's new
in
concept!

it's new
in
construction!

it's
**MODULAR
MAGIC!**

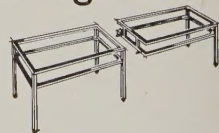


Royal® Viscount Reception Seating gives you the look of custom design with complete flexibility of arrangement!



New *Royal* VISCOUNT is superbly versatile. It's designed and constructed with completely interchangeable units for infinitely varied arrangements — as modular groupings, or free-standing pieces.

VISCOUNT offers you more than 50 exciting new upholstery patterns and colors . . . from durable, wipe-clean materials to luxurious deep-textured fabrics. Impervious Royaloid table tops are available in 20 colors, patterns and finishes—from rich wood-grains and marbles to soft decorator pastels.



Assembly couldn't be simpler! Satin-Chrome starter and add-on frames are joined in rigid, unified ensemble with only two hidden bolts. Seat-and-back pieces clamp to frame, can be interchanged with table top in seconds . . . or frame assembly rearranged at will. Free-standing units may be used as occasional chairs, tables, ottomans.

FREE! Write for Brochure 9026—for full information and illustrations of complete VISCOUNT line

ROYAL METAL MANUFACTURING COMPANY, One Park Avenue, New York 16, New York, Dept. 4-H

(Circle number 130 for more information)



E. W. VALENSI, PRESIDENT,
North American Refractories
Company, Cleveland, Ohio.



EMPLOYEES APPRECIATE NATIONAL'S easy automatic operation which reduces fatigue and increases work output.



"Our *National* Data Recording System

saves us \$23,385 a year...
returns 112% annually on our investment!"

—North American Refractories Company
Cleveland, Ohio

"Current, accurate accounting records and prompt, detailed reports are absolutely essential for efficient, profitable operation today. That is why we installed the National 31 with punched paper tape recorder to capture distribution data and simplify its processing.

"We also utilize our National High Production Payroll Machine with Automatic Tax Computer to quickly provide the accurate payroll records and reports so important to the proper management of our business.

"The National Machines simplify

data processing and quickly provide the accurate records and reports so essential to proper management of our business. We estimate our National Machines save us \$23,385 a year, thereby returning approximately 112% annually on our investment."

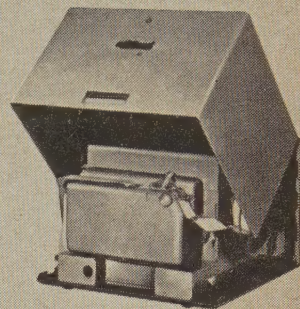
E. W. Valensi

President
North American
Refractories Company



THE NATIONAL CASH REGISTER COMPANY, Dayton 9, Ohio
1039 OFFICES IN 121 COUNTRIES • 75 YEARS OF HELPING BUSINESS SAVE MONEY

(Circle number 127 for more information)



National's punched paper tape recorder is used with the Class 31 (machine in foreground) to capture distribution data . . . as an automatic by-product of posting the accounts payable hard-copy records.

Your local National representative will be glad to show you this simple approach to efficient data processing. Phone him now — it could be the most profitable call you will make all year.

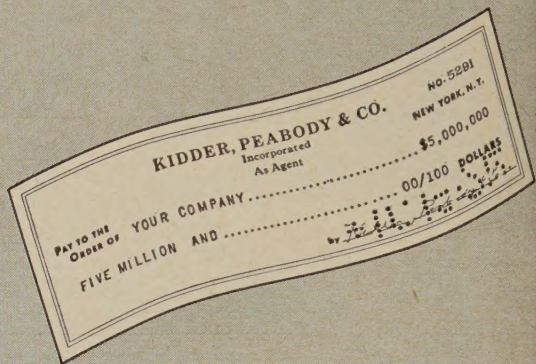
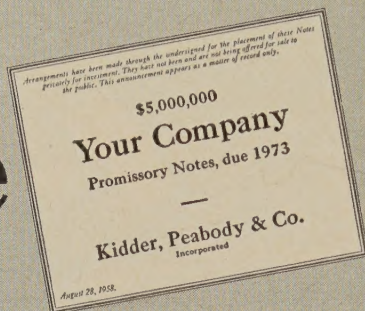
*TRADE MARK REG. U. S. PAT. OFF.

National*

ACCOUNTING MACHINES

ADDING MACHINES • CASH REGISTERS
NCR PAPER (NO CARBON REQUIRED)

Have you considered Private Placement as a method of raising New Capital?



Private Placement as a method of raising capital has become increasingly important in recent years. Many financings unsuited for public offering because of small size or unusual features, may be arranged through Private Placement at a substantial saving in expense.

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security markets and requirements of potential lenders have enabled us to obtain favorable terms for clients, as evidenced by our volume of "repeat business" in this field.

Corporations are invited to consult us, without charge, on the terms and timing of prospective financing. When retained, our fee is subject to the completion of the financing.

Write for our new booklet, "An Executive's Guide to Private Placements". It explains the important points of this widely-used method of financing and includes a case history of a successful Private Placement. Address the Officer in Charge of Private Placement.

KIDDER, PEABODY & Co.
Incorporated

17 Wall Street, New York 5, N. Y.

BOSTON · PHILADELPHIA · CHICAGO · LOS ANGELES · SAN FRANCISCO

(Circle number 146 for more information)



AUGUST 1959

Management

METHODS

Volume 16

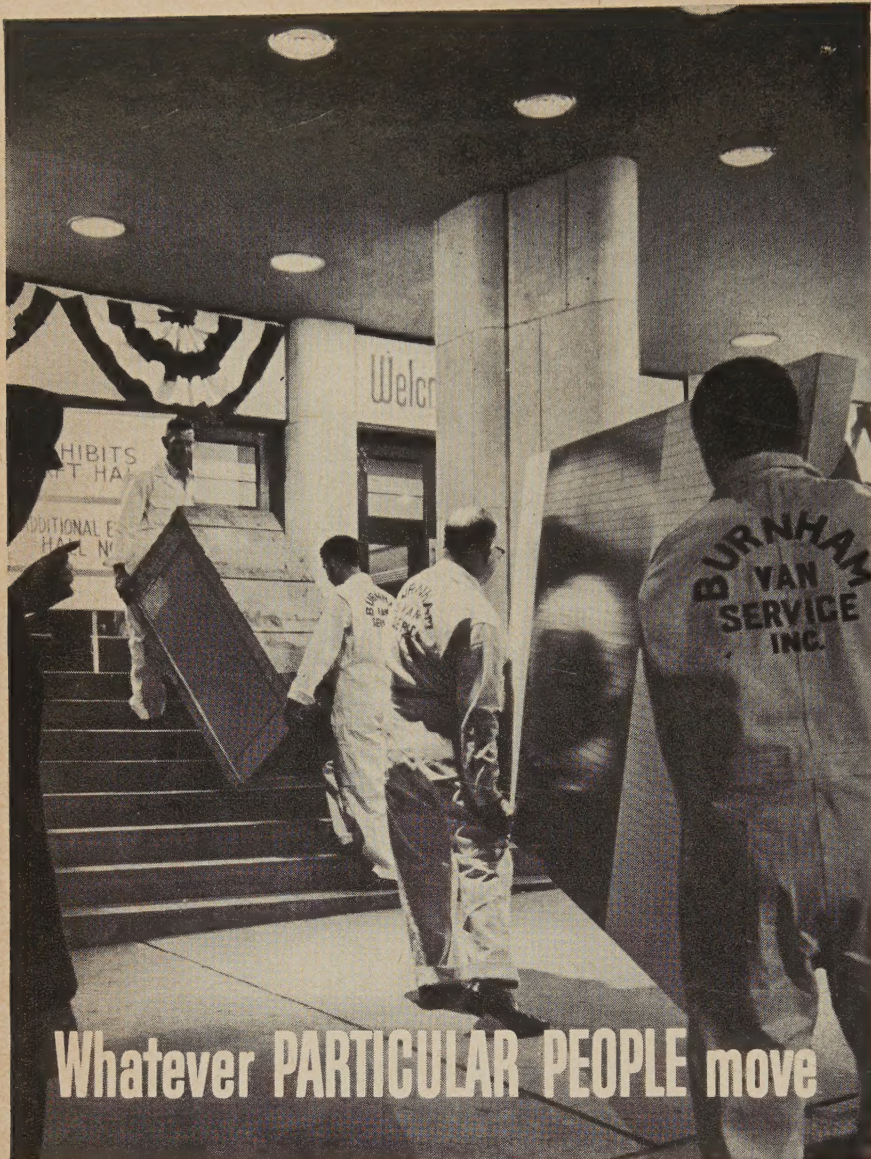
Number 5

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they call the man from
FORD or BURNHAM VAN

Exhibits and displays must be handled by professionals . . . experienced in the safe, secure and swift moving of items of unusual value . . . and who are interested in what they are doing. Handling and loading are done with professional skill . . . with vans custom designed and equipped for the job. Each driver is dispatched to meet your schedule. *It's your privilege . . . be particular . . . call the man from Ford or Burnham Van. He's listed in the Yellow Pages.*

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Management

METHODS

Volume 16

Number 5

22 West Putnam Ave., Greenwich, Conn.

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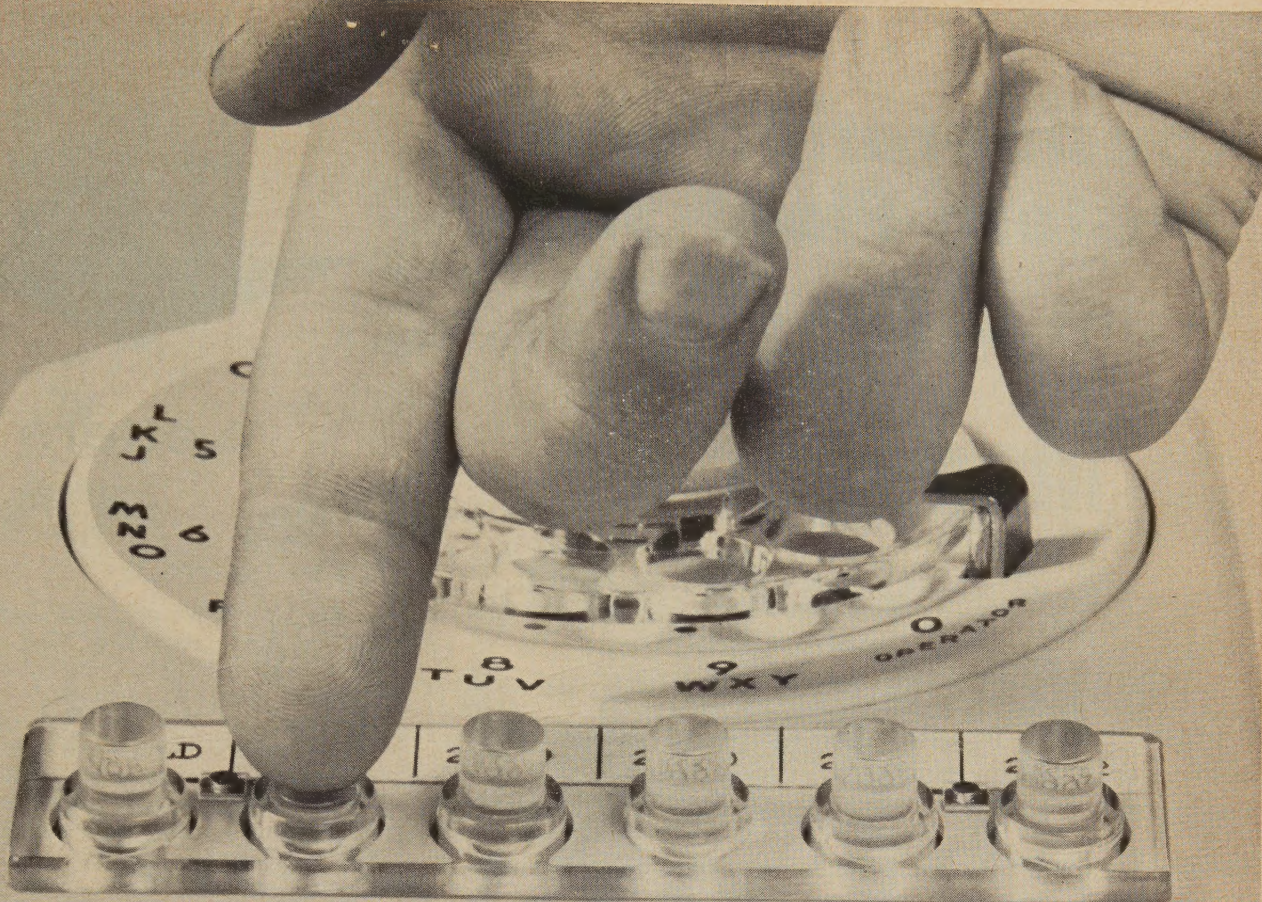
Member of Business
Publications Audit

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in the Business Periodicals Index

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CHANGE OF ADDRESS: To insure continuous service, send your new address (and moving date) 45 days before moving.

Include old address as it appeared on previous issues (if possible send label from magazine). Do not depend on the post office to forward either the change of address or your magazine.



AT THE TOUCH OF A BUTTON *your phone becomes an intercom*

Here's real versatility. Just press a button and your office phone becomes an intercommunicating system. This ultra-modern Bell System intercom lets you:

TALK WITH OTHERS in your office, plant or store just by pushing a button or dialing.

HANDLE OUTSIDE as well as intercom calls on *one* phone. No extra equipment on your desk.

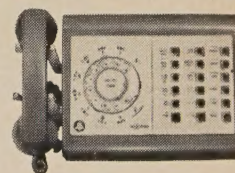
CONFER with as many as 6 persons at once, again just by pushing a button or dialing.

ADD ANOTHER PERSON to an outside call, then stay on the line or get off, as you like.

The Bell System intercom will increase the efficiency and convenience of your telephone service—help you get more done, serve your customers better. Skilled Bell Telephone technicians will tailor it to your exact needs. No capital investment. No added cost for maintenance.

Get all the facts on how this new intercom service can improve your communications—profitably. Just call

your Bell Telephone business office and ask for a representative to visit you at your convenience. No obligation, of course.



New Call Director telephone provides as many as 30 push-buttons for maximum use of intercom service features.

BELL TELEPHONE SYSTEM



consideration of a Western Plant Site from a Traffic Manager's Viewpoint

Among the various factors to be carefully considered when selecting an industrial plant site, transportation is of vital importance.

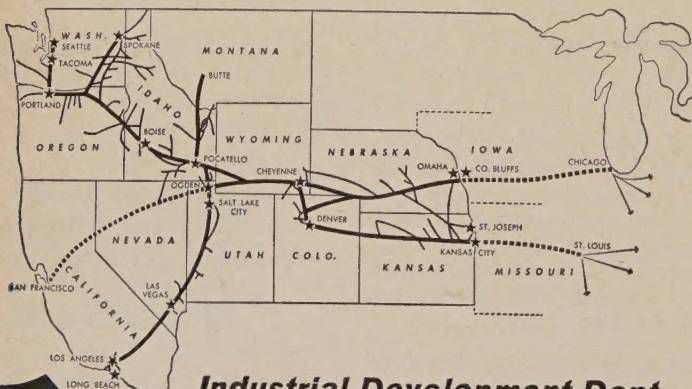
That's where the Traffic Manager's experience and judgment is invaluable. He knows routes—he knows rates.

He also knows that when a plant is located on or near Union Pacific trackage, he can be assured of a reliable freight service backed by the most modern facilities and equipment.

...

Other factors such as production and communication utilities . . . labor and living conditions . . . also will be to your liking.

We suggest you contact your nearest U.P. representative, or get in touch with us direct, for confidential plant site information.



Industrial Development Dept.
UNION PACIFIC
Railroad

OMAHA 2, NEBRASKA

(Circle number 136 for more information)



Letters

Those little white lies

SIR: "Stop Wasting Your Time, Mr. Executive" [April '59, MM] was an interesting article. One statement hit me as being very unwise.

On page 38 under "Cut down on time robbers," item 6, the author advocates asking another person to lie for him. I believe a business leader should promote integrity as a cardinal principle in his own conduct as well as his junior officers and employees.

Having one's secretary tell a caller that you are out when you are not is asking her to lie for you. It puts a stamp of approval on a questionable practice. If the executive must sacrifice truth let him keep it on his own conscience.

J. GORDON KNAPP
PALMA-KNAPP ASSOCIATES
RIVER FOREST, ILL.

■ It's agreed. Amended advice: tell your secretary to say you are occupied or otherwise unavailable when you don't want interruptions. Be forewarned however, that some objectionably persistent callers won't be stopped by this true, but mild, dodge.

EDITOR

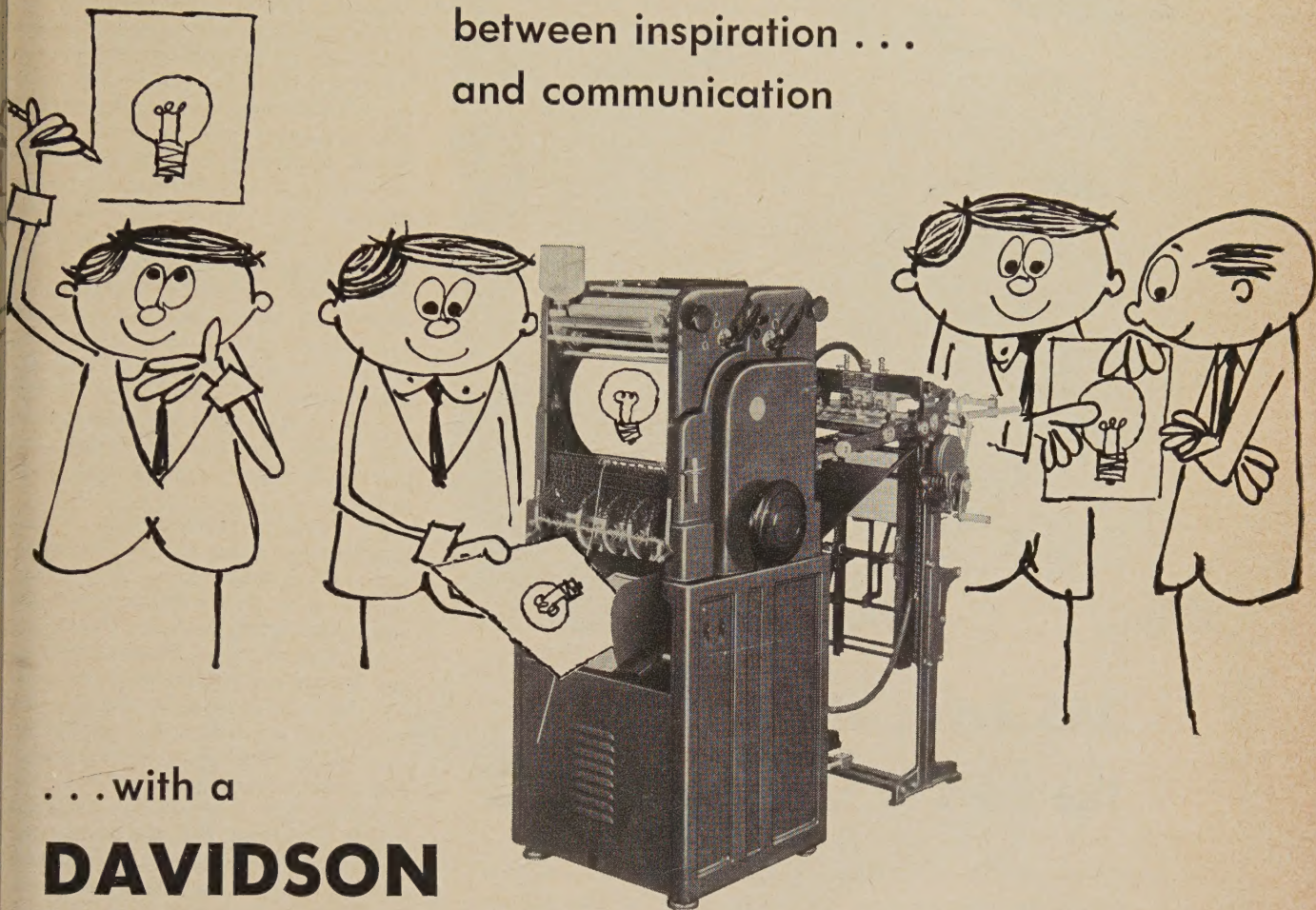
Action—reaction

SIR: A young and relatively new firm such as ours is indeed fortunate to receive the favorable attention which we have experienced from the press and national magazine publishers.

When you and your associate interviewed me for the article "How to Get All the Facts about the People You Hire" [June '59, MM], I was very pleased to have our story told in your interesting and informative way.

From several previous features in various publications, we have received inquiries on our services of almost every conceivable nature — ranging

Only a matter of minutes . . .
between inspiration . . .
and communication



. . .with a

DAVIDSON DUAL-LITH!

That important sales bulletin that you just wrote; or a new promotion piece for the trade can appear *in print* the same day when you own a Davidson Dual-Lith. Type, write or draw directly on a paper master and put it on your Dual-Lith. Your copies come out sharp and clear—because you're getting *true offset printing!* For longer runs, and for photographic or color reproduction, use a metal plate.

Think how communications will be improved and speeded up in your company—with a Dual-Lith. Every memo, every last-minute price change can be out by five! Dual-Liths are rugged, compact, simple to operate, easy to maintain. Ten models, too—one exactly right for your requirements. Take a moment out now to write us for FREE literature . . . or better still, call your local Davidson distributor (he's listed in the Yellow Pages.) DAVIDSON CORPORATION, subsidiary of Mergenthaler Linotype Company, 29 Ryerson Street, Brooklyn 5, N. Y.



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MM 8-59

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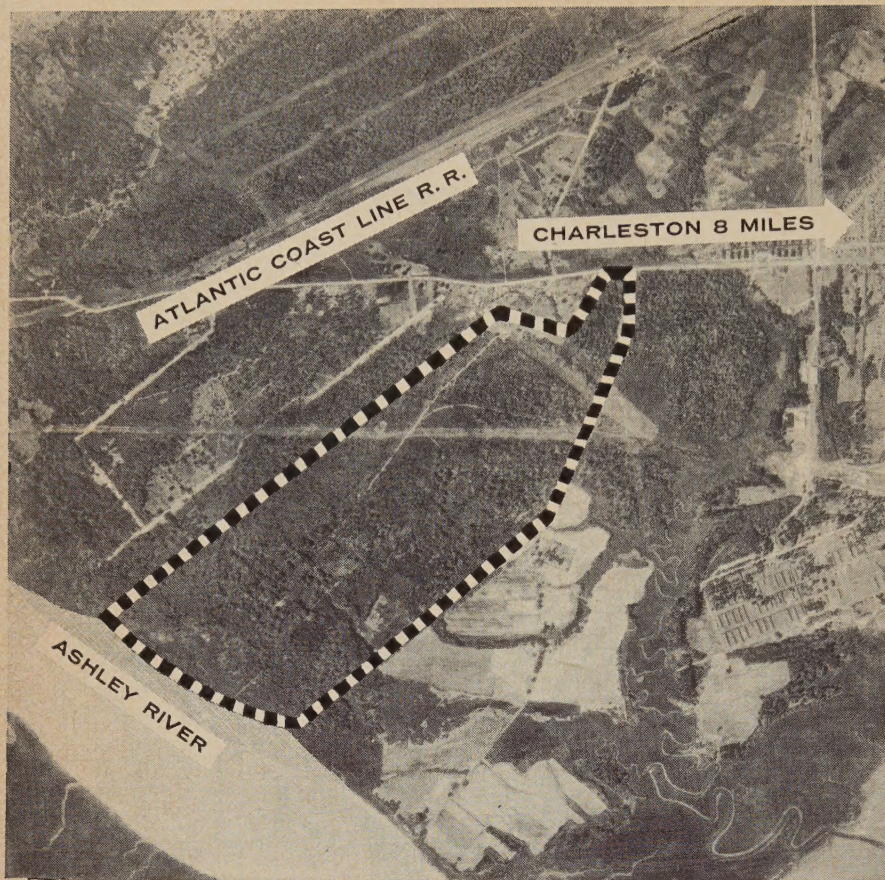
YES, I'd like to know more about Dual-Lith. Send me FREE literature, and the name of my local distributor.

Name _____

Company _____

Address _____

City _____ Zone _____ State _____



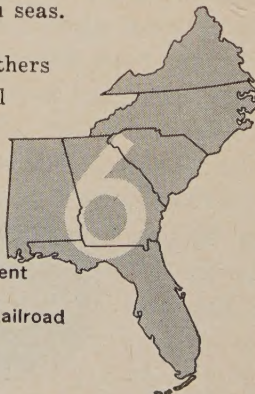
345 Acres of River Site at the Port of Charleston, S. C.

Waste disposal is no serious problem at this 345-acre site just eight miles north of Charleston, S. C., on the Ashley River. Centrally located in the Southeast Coastal 6 states of Virginia, North Carolina, South Carolina, Georgia, Florida and Alabama, this spot could put your new plant on the profit map from the first day of operation.

The population within a 25-mile radius is about 200,000, with an estimated 5,000 trained and untrained workers immediately available for industry. Power and natural gas are already at the site . . . waiting for *you*. Charleston is served by four airlines and three railroads, and a Coast Line main track is within one-third of a mile of the site. The Port of Charleston is your gateway to the seven seas.

Write, wire or call about this site or others in the growing Southeast Coastal 6. All inquiries treated confidentially.

R. P. JOBB
Assistant Vice-President
Department M-89
Atlantic Coast Line Railroad
Wilmington, N. C.



**ATLANTIC
COAST LINE
RAILROAD**

(Circle number 153 for more information)

from curiosity seekers, to job applicants to legitimate interest in our work. Therefore, we were more than a little surprised at the response to your article.

It is almost unbelievable, but out of over 40 inquiries thus far, there has not been one crank letter or "curiosity" request. Every communication received has been from a top company with sincere interest in our service. Every question, by phone and mail has been intelligent and well-founded. The responses have a geographical spread from East to West and North to South, and cover the entire country. At least two inquiries by telephone came from as far away as Los Angeles. The most gratifying element of this tremendous response has been the percentage of sales which has resulted.

Although informative articles on service organizations such as ours are not necessarily presented with an eye to sales, certain sales will understandably result therefrom. However, we have never experienced anything quite like this.

By way of comparison, several months ago a three-column feature on our services appeared in the Sunday edition of a metropolitan newspaper with a circulation of almost 1½ million.

Needless to say we received numerous letters and questions from near and far. Unfortunately, despite the number of inquiries answered, the interest of the right man, or "top man," was not particularly stimulated. We presume that the article, although widely circulated, did not receive the attention it would have in a circulation directed to top management. It is evident that the diversified firms subscribing to **MANAGEMENT METHODS** and the management officials to whom the magazine is directed are the right markets to which a product or service can best be presented.

NOEL BATES, PRESIDENT
BATES ASSOCIATES
WHITE PLAINS, NEW YORK

Correction

"Computer Use Report" was offered free in error in the July issue. This 12-page booklet costs \$1.50 and can be ordered from Systems and Procedure Association, 4463 Penobscot Building, Detroit 26.

If you want to talk back

Do you have something to say about what appears in **MANAGEMENT METHODS**? Send your comments to the Editor, **MANAGEMENT METHODS**, 22 W. Putnam Avenue, Greenwich, Conn.



A New Star is born!

CLARIN

deluxe Folding Arm Chair



**folds down to
a flat 3 inches**

Model No. 3417-AC

**guaranteed
for
10
years**

Never before such luxury in a Folding Arm Chair. A masterpiece in steel with upholstered seat, back and arms... the finest of its kind ever created.

Embodies all of those sterling qualities that distinguish the Clarin line—plus—the unique feature of arms that fold with the rest of the chair into a compact 3 inches. The greatest advancement in folding chairs since the introduction of the famous CLARIN folding tablet arm chair. Rounds out the CLARIN line of auxiliary seating for offices, hospitals, schools, churches, and all other institutions.

CLARIN Manufacturing Co., 4640 W. Harrison, Chicago 44, Ill.

**Write or send
coupon for
FREE BROCHURE**



Clarin Mfg. Co., Dept. 47, 4640 W. Harrison St., Chicago 44, Ill.

Send complete information and brochure on the NEW Clarin Deluxe Folding Arm Chair.

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Name of individual _____

PIONEERS in AUXILIARY SEATING for OFFICES & INSTITUTIONS. Est. 1925

(Circle number 110 for more information)

**YOURS
FOR THE
ASKING**

These booklets—promotional and otherwise—contain ideas of possible profit to you. Each item listed will be sent to you without cost.

FOR FREE COPIES, USE READER SERVICE CARD OR WRITE DIRECT

Paperwork simplification

Cost reductions achieved through new data processing techniques and systems are reported in a publication by The Standard Register Co.

In magazine format, articles detail factual case histories of the procedures, forms, recordmaking and data processing methods used successfully by others.

For your copy of this 24-page illustrated magazine, "Paperwork Simplification," circle number 261 on the Reader Service Card.

About letterheads

"Two Sides to Your Business Letterhead" is the title of a new 10-page booklet by Neenah Paper Co. It relates the relatively small cost of a good letterhead to value as a public relations tool.

The piece details the component costs of a business letter and some "before" and "after" examples of letterheads are included.

For a free copy of this booklet, circle number 263 on the Reader Service Card.

How to locate key executives

"The Problem of Finding Key Executives" is the title of a new brochure offered by Thorndike Deland Associates.

It points out pitfalls likely to be met when a firm goes outside to locate an executive. It also describes the role executive research consultants can fill—how each search is conducted and how fees are determined.

For a free copy of this seven-page booklet, circle number 262 on the Reader Service Card.

New office buildings—NYC

Detailed data on all office buildings presently being planned or erected in New York City have been compiled in booklet form by Julien J. Studley, Inc.

The booklet will serve as a guide to companies wishing to reappraise office space in the light of present and future availabilities for leasing.

Complete description of each building includes rentable area, rental cost and terms, other tenants, transportation and date of occupancy.

For a free copy of "New Office Buildings—New York City," circle number 267 on the Reader Service Card.

Market survey technique

A new 16-page booklet published by National Family Opinion, Inc. describes how to economically plot sales trends and check distribution through a quarterly consumer market mail survey.

Called the Multicard survey, as many as 10 companies can participate in a single first class mailing. Opinions of goods and services are elicited on a continuing basis from a pool of 25,000 representative families.

An accompanying 20-page booklet details complete distribution of these cross-sectional families.

For a free copy of these two consumer research booklets, circle number 264 on the Reader Service Card.

About replacement planning

Here is a realistic aid for management in analyzing replacement of machine tools and other capital equipment.

The 12-page booklet by Jones &

Lamson Machine Co. presents an "avoidable costs" replacement formula. It also discusses limitations and fallacies in other commonly used replacement schedules.

Detailed instructions are given for formulating a profitable replacement program.

For a free copy of this authoritative guide, circle number 265 on the Reader Service Card.

New index of standards

The 1959 Price List and Index of American Standards has just been published.

The publication lists over 1,800 standards approved by the American Standards Association.

The fields covered are comprehensive—ranging from automotive to nuclear standards, construction to photography, office supplies to metallurgy.

International standards recommendations are also included.

For a free Standards Index, write to American Standards Association, 70 E. 45th Street, New York 17.

Business consultant services

This colorful 20-page booklet prepared by Ebasco Services, Inc., explains how business and industry can profitably use the services of a comprehensive business consultant organization.

Titled "The Inside Story of Outside Help," the booklet presents an over-all picture of Ebasco and lists in detail the services it offers in more than 20 separate areas of engineering, construction and business management.

For a free copy of this authoritative illustrated booklet, circle number 266 on the Reader Service Card.

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Because he is a member of the world's largest acoustical organization, you get the benefits of experience and technical skill resulting from installations in all types of offices, in all sections of the country.

For example, he will show you how ceilings can be lowered attractively at minimum cost ... how your plans can economically incorporate sound conditioning, air conditioning, lighting and movable partitioning ... how you can have easiest maintenance and complete re-paintability without sacrificing acoustical efficiency. Send Coupon below today!

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Sound Conditioning

Products to Meet Every Sound Conditioning Problem...Every Building Code

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In Canada: Dominion Sound Equipments, Ltd., Montreal, Quebec



TRADE MARK

The Celotex Corporation, Dept. MM-89
120 S. LaSalle St., Chicago 3, Illinois

Without cost or obligation, please send me your booklet, "Sound-Conditioning for Office Workers" and the name of my nearest Acousti-Celotex Distributor.

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Firm _____

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(Circle number 109 for more information)

Your company is judged
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(Circle number 111 for more information)

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Modern management endorses truck leasing

TRUCK RENTAL ends trucking tie-ups!

No delays, no interrupted transportation of any kind, when you lease your trucks from Ryder! Whenever you need extra trucks for replacements or peak periods, Ryder supplies them pronto.

Fact is, Ryder furnishes everything you need except the drivers. And you get *precisely* the kind of trucks *you* require. Ryder paints them to your specifications and guarantees perfect maintenance.

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Whether you use one truck or a thousand, Ryder Truck Rental can be of service. Contact us now for full particulars.

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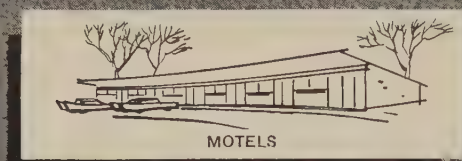
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Ryder System, a fast-growing, publicly-owned company, also operates modern truck lines in 22 Eastern and Southern states

(Circle number 131 for more information)

IF YOU'RE RESPONSIBLE for a lot of carpet or just a little, you'll be on much safer ground if you consult any qualified LEES dealer. Every one is Lees-trained to help you choose the perfect carpet for your kind of building, your traffic, your decorative scheme and your price.



MOTELS



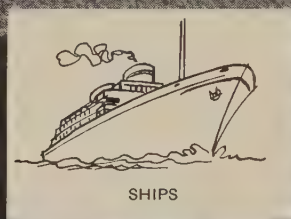
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HOTELS



CHURCHES



SHIPS



STORES

**You can feel SURE with
those heavenly carpets by Lees**

(and sure with Lees dealers, too)

Immediate delivery on any one of thousands of carpet styles from our strategically located warehouses. Custom designs to your specifications take just a bit longer. Every Lees carpet is mothproof for its life.



James Lees and Sons Company, Bridgeport, Pa. Commercial Carpet Division
(Circle number 126 for more information)

MANAGEMENT METHODS



Tax Quiz

A digest of recent court cases compiled by Benjamin Newman, Tax Attorney, Koenig and Bachner, New York.

THE QUESTION

An experienced businessman advances money to his corporation, knowing that the interest on previous advances has not been paid. Can he deduct the money advanced, but not repaid, as a bad debt?

The facts—Three men were the sole shareholders in a corporation. The corporation was losing money. It needed fresh capital in order to continue operations.

The three men advanced money to the corporation, despite the fact that the company could not even keep up the interest payments on previous advances. And the men, in making the advances, required no collateral in return.

The due dates on the loans went by without the repayment of any of the advances. One of the shareholders then deducted the amounts he had advanced from his income as bad debts. The Commissioner of Internal Revenue challenged the deduction, maintaining that the advances were capital investments, not loans.

The ruling—Both the Tax Court and the U. S. Court of Appeals agreed with the Internal Revenue. They held that the advances were not deductible because they were contributions to capital and not loans.

The courts were greatly influenced by the shareholder's years of experience as a businessman. A man of his business acumen, they reasoned, would not loan money without demanding collateral from a debtor in such poor financial shape as the corporation.

If the man did make advances, he would be well aware that he was contributing "risk capital" and that the return of his money was completely dependent upon a business upturn for the corporation.

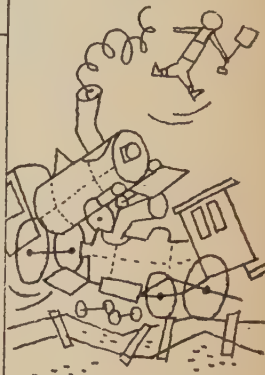
Gilbert vs. Commissioner of Internal Revenue, U. S. Court of Appeals, 2nd Circuit, No. 25246, decided January 14, 1959.

THE QUESTIONS

1. A corporation incurred a net loss in 1953. All the stock of the corporation was thereafter sold, the corporation becoming engaged in a business different from its business in 1953. Can the corporation as now constituted deduct the 1953 loss from its 1955 income?

Gotta hurry Joe, I'm parked on the main line — I'd never hear the 5:15 in this —

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It's the original isolation booth — Hear well, be heard well, in the noisiest places.

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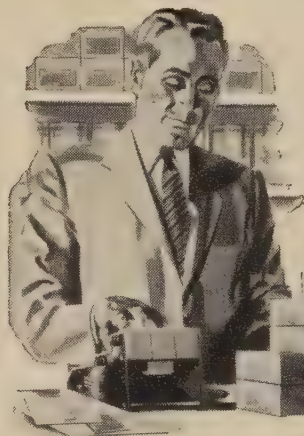
BURGESS-MANNING COMPANY

Sound Engineering

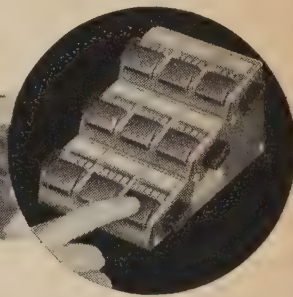
Industrial Silencer Division

749 East Park Avenue, Libertyville, Ill.
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How to tell a
"Better Mouse Trap"
from a
"Profit Trap"



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Other Items with

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Multiple-Unit Reset Counter

To know WHICH products, styles, sizes or flavors are "hot" and WHICH are dragging their feet — COUNT! Whether you are a manufacturer or merchant, distributor or dealer — Vary-Tallies can tell you quickly How Many of What, Where and When — Now as against Last Year,

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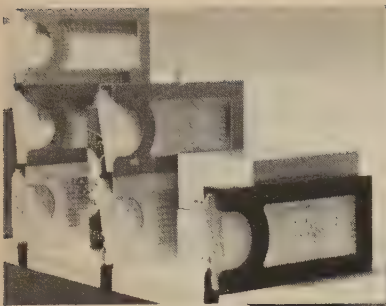
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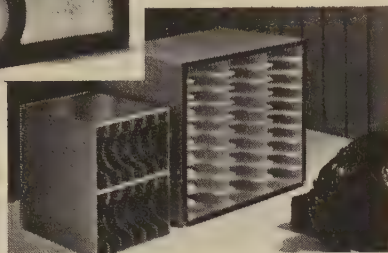
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Tab Card Holders
in place on shelving,
with metal clips.

Tab Card Desk Files.
Available for Vertical
or Horizontal filing.
Includes identification
slide strip.



TAB CARD HOLDERS

Users report fewer mistakes with these plastic holders which can be attached to products, conveyor belts, bins, tote boxes, containers, shelving, etc., to implement production control, inventory control, invoicing and other punched card systems. Beemak holders have withstood hard usage for seven years, and are made in two styles with choice of three types of metal clips for attachment in any manner. Made in ivory, red, green, blue, yellow and black for color coding as well as high visibility in certain areas. Keeping correct tab cards at source of record data provides better control and faster handling of all types of merchandise.

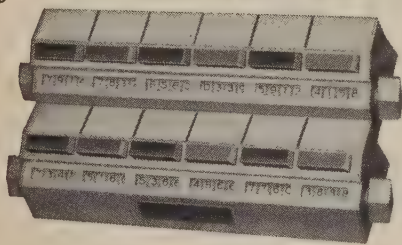
Complimentary samples of Beemak Tabulating Card Holders will be sent upon request on your letterhead.

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(Circle number 140 for more information)

2. A and B, who were the corporation's sole stockholders prior to its sale in 1953, made advances to the corporation totaling nearly \$300,000 and received in return the corporation's 10-year registered debentures. Can the corporation as now constituted deduct the interest it pays on the debentures as interest expense?

The Facts — A and his brother B were the sole stockholders of the Taxpayer Coal Co., A owning 75% and B 25% of the stock. On the last day of 1953, A and B sold their entire holdings to the X Corporation. Prior to that date, Taxpayer Coal had sustained a net operating loss. X Corporation discontinued all coal operations and put Taxpayer in the oil business. The name "Taxpayer Coal Co." was retained.

After the switch to oil, affairs took an upturn and Taxpayer showed a large profit for its 1954-55 fiscal year. The 1939 Internal Revenue Code provides that a net operating loss sustained in a taxable year may be carried over for the next three taxable years. Taxpayer's owners reasoned that since its loss had been sustained within the three years prior to 1954-55, it was entitled to deduct the loss from its 1955 return. The Commissioner of Internal Revenue did not agree.

Another disputed deduction involved interest which Taxpayer was paying on certain of its debentures. These debentures represented nearly \$300,000 which A and B had from time to time advanced the company during the period in which they owned all of Taxpayer's stock. If these sums were loans, then the tax paid on the debentures could be deducted from Taxpayer's income as an ordinary and necessary business expense. If, as the Commissioner of Internal Revenue contended, the sums were contributions to capital, no interest deduction could be allowed.

The Ruling — The court held that Taxpayer, as now constituted, could not avail itself of the net operating loss deduction since the income against which the loss was sought to be offset was not produced by the same corporation which incurred the loss. The Internal Revenue Code grants such deductions in order to insure fair tax treatment of businesses whose incomes fluctuate widely from year to year. Taxpayer as now constituted, and Taxpayer when owned by A and B are really two different corporations; concluded the court. Therefore, Taxpayer's 1954-55 income was not produced by substantially the same business which sustained the loss.

Regarding the monies advanced by A and B, the court found that there was no legal question to be decided. The issue was one of fact for the jury to decide. The court informed the jury that certain acts might imply that a loan was intended and others the reverse. If the money were advanced 75% by A and 25% by B, that would tend to indicate contribution to capital, since those percentages were identical with the brothers' respective interests in Taxpayer. The jury returned with a verdict that \$115,000 of the \$300,000 advanced was a loan and the balance a contribution to capital.

(*Mill Ridge Coal Co. vs. District Director of Internal Revenue*, U. S. District Court, Alabama, decided March 28, 1958.)

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(Circle number 121 for more information)



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Besides comfort, factors in favor of mechanically cooled cars are less fatigue, improved appearance, greater alertness and a more relaxed disposition.

The Du Pont Co. is one firm that underwrites the value of car climate control. In a detailed survey of 400 drivers assigned to mechanically cooled cars, 92% report air conditioning helped them do a better job on customer calls.

The salesmen-drivers also say their on-the-road air conditioning serves as a conversation opener.

TIME SAVERS

CURTAIN TIME OF VISITORS

■ **DO CALLERS** use up too much of your time? To discourage unwarranted inroads on your busy day, try these tricks:

Mention your time limitation, and stick to it.

Get your caller to the point. A direct question like "Just what can I do for you?" usually works.

When you're ready to wind up the conversation, glance at your watch. For a more persistent visitor, stand up. For a diehard, shake his hand.

If these suggestions don't deter



long-winded callers, you might try a "Brush Off Machine." This gadget is used by West Germany's Postmaster General Richard Stueklen. Four egg timers are labeled "introduction," "get to the point," "hurry up" and "finish." When the sand has run out of the last timer, the visitor is politely but firmly ushered out.

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■ **IF YOU DON'T WANT** to take the time and trouble to call ahead for hotel accommodations, Western Union can make a reservation for you. This service is a considerable time saver especially when a city is crowded because of large conventions.

Just tell your local Western Union the type accommodations you want, price range and locale. You can even specify your order of preference of specific hotels. Western Union will make your reservation and confirm it by telegraph.

For this service you simply pay for the two telegrams plus a 50¢ fee.

If you're leaving on your trip immediately and can't wait for reservation confirmation, you can still use this service. When you arrive at your destination, you

simply phone Western Union to find out where you're staying. Charge for this: \$1 fee plus any telegrams involved.

DEVELOP YOUR OWN SHORTHAND SYSTEM

■ **JUST A LITTLE EFFORT** in formulating a shortcut method of note taking can save you time. By using your own code and abbreviations, you can easily copy the gist of what is said at conventions, conferences, training sessions.

Concentrate on shortening the 100 or so words that account for 50% of your ordinary writing, plus technical terms and phrases used in your business. Thus, above becomes abv, difficult—diff, people—ppl, appropriate—approp, advantage—advtg.

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For instance, psychology Professor W. S. Taylor of Smith College, Northampton, Mass. has developed a "notehand" that saves up to 30%



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Friden automation units range from the astonishing Tape-Talk machines—the Computyper®, Flexowriter®, Teledata® and others of this group—to the brilliant Friden Calculator, *The Thinking Machine of American Business*, and Friden *Natural Way Adding Machines*.

Friden *has the system*

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At a glance, the photographs shown may look the same — but look again. The camera speed has captured the very few motions and speed of this reference filing operation.

This is motorized filing at its best in the Wright Rotary Model 40. All controls are close to operator. It's a complete work station, space saving unit. Engineered with low silhouette appearance and the most advanced vinyl coated steel covers all outside panel. Paint maintenance has been eliminated — appearance lasts for machine life. Operation is fast and quiet too.

No need to change record size — Wright Rotary Files will handle any and all sizes in individual trays with large front labeling to speed identification when rotating. Speed is built right in to give immediate action on impulse — no record is more than three seconds away.

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WORKSHOP

of ordinary writing time and 35% of psychological writing. His system could be adapted to the terminology of any field.

Here's a sample of his method: "Mst scretars easly lrn to transcr abbrev handwrin ito Eglsh frm wh u rly wrot."

Try your hand at developing your own version of shorthand for that next meeting.

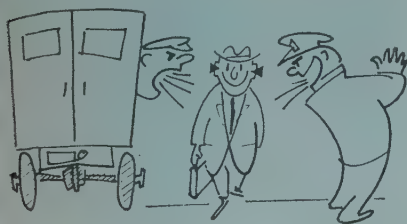
TRAVEL TIPS

TAKE THE EASY WAY ON YOUR NEXT TRIP

■ HERE ARE SOME SUGGESTIONS ON how to make your next trip smooth and more successful.

■ Next time you pack a suitcase, tape an inventory of its contents inside the lid. Use it as a checklist for repacking. That way you'll avoid forgetting anything on your return trip.

■ A useful gadget for every traveling executive is a pocket stapler. They are made no bigger than a fountain pen. Besides normal use



for stapling papers, one is handy for emergency repairs—ripped coat lining, missing shirt button or torn suspenders.

■ Suppose you break your glasses and forgot to pack a spare. There's a makeshift way to get you through the emergency. Go to the nearest five-and-ten. There you'll find a pair to get your reading sight back temporarily.

■ When you want to concentrate while traveling, remember to tuck a set of ear plugs in your pocket before boarding that plane or train.

Use them to achieve quiet while you go over that report, draft those letters, study plans.

PROFIT MAKERS

LISTEN!

■ DO YOU REALLY LISTEN? Don't duck the fact that you could be one of the many management men who are poor listeners.

If you follow these rules, chances are you can more than double your ability to hear and retain useful thoughts spoken by others:

■ Set the scene for listening. Close the door or move closer.

■ Listen actively. Don't just relax. Perk up. Assume a listening attitude. Don't be impatient for your chance to talk.

■ Concentrate on *what* is said—not *how* it's said. Don't be distracted by mannerisms, personality or delivery of the speaker. Don't go off on mental tangents.

■ If need be, steer the talker so he tells you exactly what you want to know.

■ Screen what is worthwhile to you. Evaluate. Discriminate between fact, fancy, bias.

■ Don't be overly preoccupied with note taking or formulating your answer. You may miss the gist of the major points.

■ Be open minded. Try to understand the speaker's viewpoint. Avoid the habit of criticizing or rejecting what is said.

■ Since you think much faster than anyone can talk, you can do more than just listen. While listening, try to mentally summarize, weigh evidence and anticipate the speaker's points.

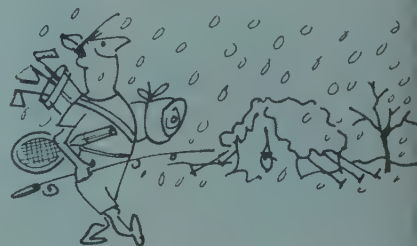
SPREAD VACATIONS BY BONUS DAY PLAN

■ MANUFACTURERS LIFE Insurance Co. has found a way to keep its

office well staffed through the popular vacation months.

It instituted a bonus day system as an incentive to employees for selecting vacation dates outside the normal summer season. Here's how the plan works:

Any employee with at least 12 months service, who completes his



vacation before May 31, is entitled to three bonus days.

Any employee taking his vacation before May 31 and June 20 or after September 2 receives two bonus days. Also if an employee splits his vacation between these periods, he is allowed two extra days.

Employees who take their vacations during the popular June 20 to September 2 period get no bonus days.

New employees earn one day vacation for each month of service. If a worker takes his earned days before June 20, he is then allowed to take additional days as earned between September 15 and November 15.

In case of conflict, seniority dictates order of allotting choice of time for both vacation and bonus days.

Department managers hold veto power over time periods chosen by employees for vacation and bonus days.

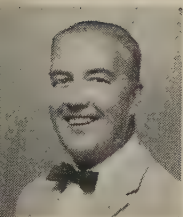
This bonus day incentive has made early and late vacations quite popular at Manufacturers Life.

Thanks to this spread-vacations system, they are able to maintain production and efficiency during the formerly understaffed summer vacation months.

(Continued on page 26)

"From a coat button... to Closed- Circuit TV

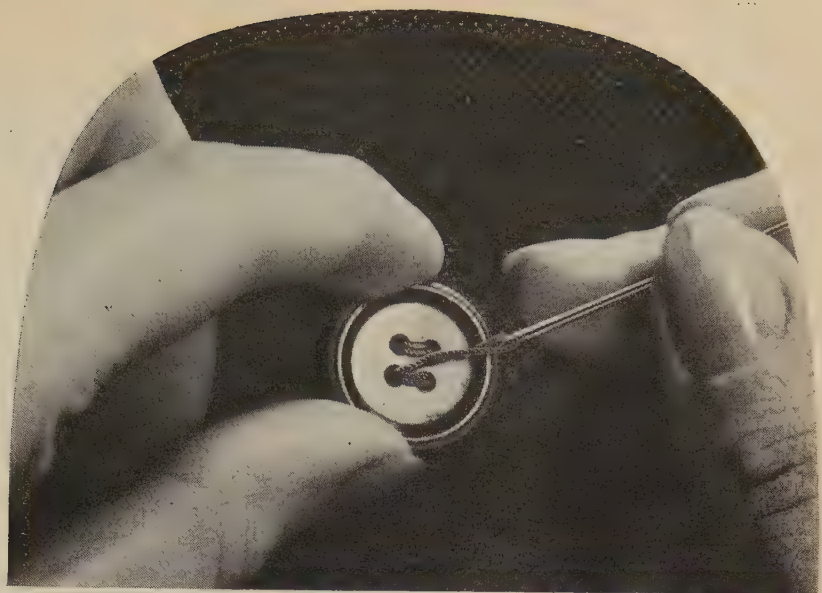
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are important!"



—says
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In a recent training maneuver, the U.S. Army set a new speed record in getting an entire company of paratroopers away from its base and into the air.

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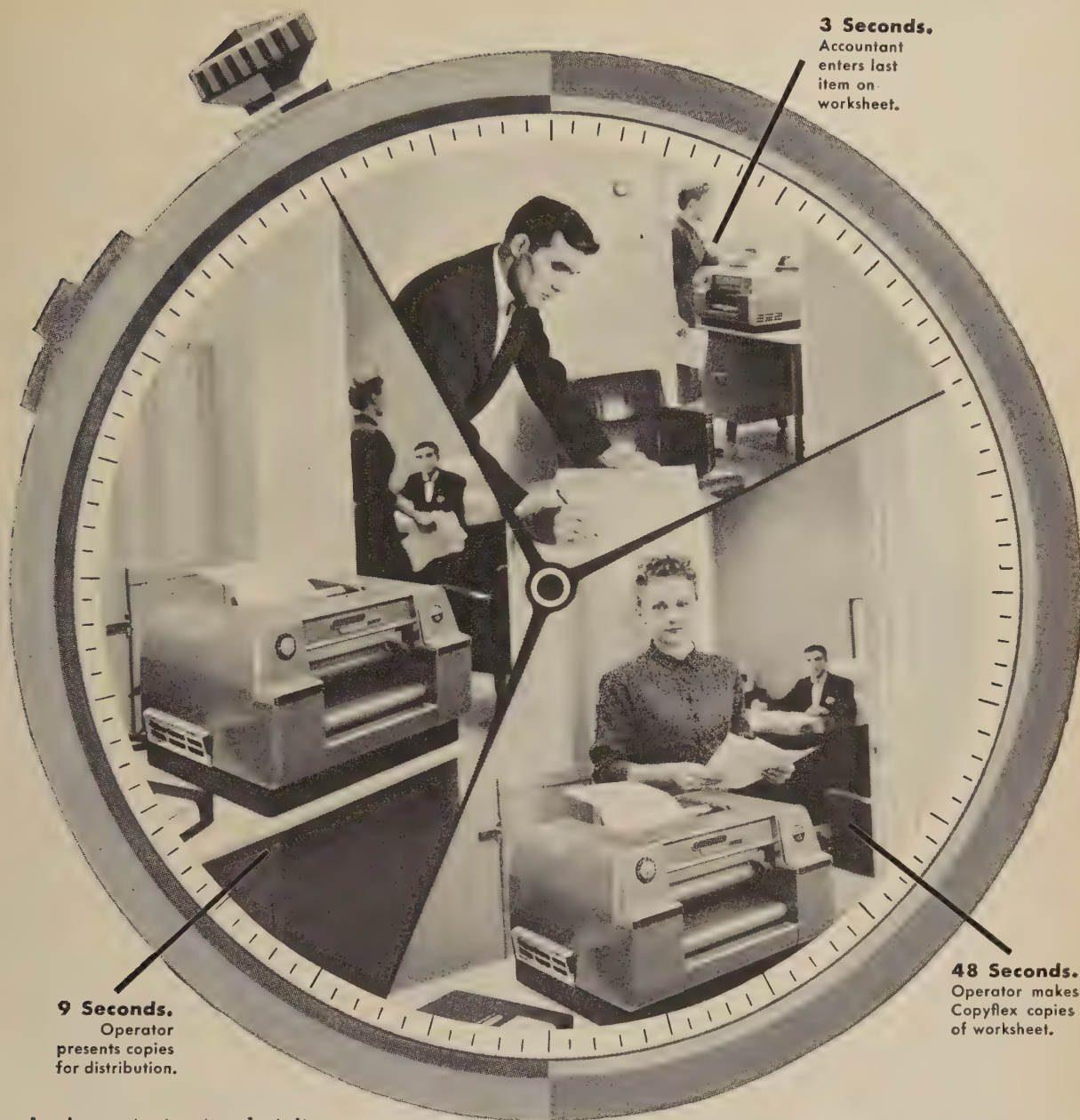
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(Circle number 106 for more information)

RATE YOUR STAFF
ON COMPANY GOALS

■ COMPANY GOALS can't be achieved unless everybody is aware of them and working toward them.

Here's a checklist and point scale, designed by Cities Service Petroleum, Inc., New York, to help you evaluate your organization's performance in setting and reaching objectives.

Run down the list and assign points on your company's rating on each item according to this graduated scale:

Performance points							
Poor		Average		Excellent			
0	1	2	3	4	5	6	7

The lower numbers mean need for improvement. The middle numbers indicate an average rating. The higher ones show above average performance.

Checklist	Your points
1. Your company has a definite, preferably written, set of goals for three to five years, and has specific plans for action.	_____
2. Your company has measurable annual goals, with a time schedule for reaching them. These are clearly understood by all employees.	_____
3. Your company has regular meetings of employees, with pre-planned agenda, a comfortable meeting place, and active participation.	_____
4. Management provides direction and leadership to employees and the company as a whole. It has the intelligent support of all employees.	_____
5. Your company has good job descriptions and an organized training program for old and new employees.	_____

- 6. Your company has clearly understood policies and rules concerning time of arrival, rest periods and work habits. These are adhered to by all employees.
- 7. Company employees work conscientiously to carry out their assignments. They help to build company prestige among your customers and in your community.
- 8. Management has a system of controls that reveals the results of current activities, especially those factors needing prompt attention, so that action can be taken where and when required.

Total points

Any individual item score below five indicates the need for attention to the specific factor. A total score between 48 and 56 is Excellent; 40 to 47 is Superior; 32 to 39, Average; 16 to 31, Substandard and Needing Action; below 16, Serious Deficiency in progress toward company goals.

So says Cities Service Petroleum that devised this checklist as a device for rating company policy teamwork.

FOLLOW BASIC RULES
FOR INTRODUCTIONS

- How YOU MAKE the introduction can make or break a speech.
- Dr. Walter W. Stevens, speech instructor at Wayne University, gives these tips on how to introduce a speaker effectively:
 - Keep your introduction short. Remember you are not the star, the speaker is. Don't hog the spotlight. Don't steal his thunder.
 - Make it appropriate. Suit the tone of your introduction to the character of the speaker and his subject.

WANTED

INFORMATION LEADING
TO THE SOLUTION OF
COMMON MANAGEMENT
PROBLEMS.

REWARD

Management Methods will pay a reward of \$10 for each problem solving idea published in this Workshop for Management. Ideas must be practical, concisely written, and readily adaptable by other firms. Each item should fit into one of these five categories:

- COST CUTTERS
- PROFIT MAKERS
- SALES BUILDERS
- TIME SAVERS
- MORALE BOOSTERS

Ideas used will include credit line for you and your company. Address: The Editor, Management Methods Magazine, 22 W. Putnam Ave., Greenwich, Conn.

- Be relevant. You may know an excellent story, but if it isn't germane to your purpose, omit it.
- Avoid giving the speaker a false start. Don't have him half rise from his chair only to find you are not finished.
- When you actually present the speaker—repeat his name and his title distinctly, deliberately and loudly.
- Finally, take a step back, turn to the speaker. This will automatically turn the attention of the audience from you to him. Then retire unobtrusively.
- Your job is not over when you finish your introduction. Your attention and enthusiasm—or lack of it—will likely reflect in the attitude of the audience.

As business conditions continue to
improve, the costs you cut during
the recession may creep back into your
company's operations

Holding the line on costs

Here is the practical, low-cost way to full-time control

To the responsible businessman, the relation between a company's costs and a company's profits is obvious. Yet, more often than not, a company's cost program is periodic rather than continual. Influenced by economic conditions, the cost control you initiate in bad times too often fades away in the face of prosperity.

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Yet, today, with the up-turn in full swing, there's a new and ominous possibility. As you become more preoccupied with recovery and expansion, there's the danger that uneconomic practices may return. With your eyes on the future, much of the "fat" may grow back into your operations—thereby limiting the profit to be made in the days ahead.

How to get a clear, *continuous* look at your costs? With the simple, low-cost management controls afforded by the new Automatic Keysort System.

Automatic Keysort is today's only data processing system that provides a family of machines and methods designed for automatic creation and processing of original records. Speeding vital day-to-day and long-range facts essential to sound management, Keysort gives you the comprehensive, *on-time* reports you need about job costs, labor distribution, inventory, sales and orders . . . helps you spot money-losing situations almost as they happen. Thus, because you can move at once to tighten costs, you help assure a higher proportion of profit to sales.

With the Automatic Keysort System, businesses of every size can now enjoy fast, accurate data processing on either a centralized or decentralized basis. Without restrictive, complex procedures. Without specialized personnel. And at remarkably low cost.

Call your nearby Royal McBee Data Processing Representative, or write Royal McBee Corporation, Data Processing Division, Port Chester, N. Y. for illustrated brochure S-500. In Canada: The McBee Company, Ltd., 179 Bartley Drive, Toronto 16, Ont.

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serve people first to serve business best



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NEW CONCEPTS IN PRACTICAL OFFICE AUTOMATION

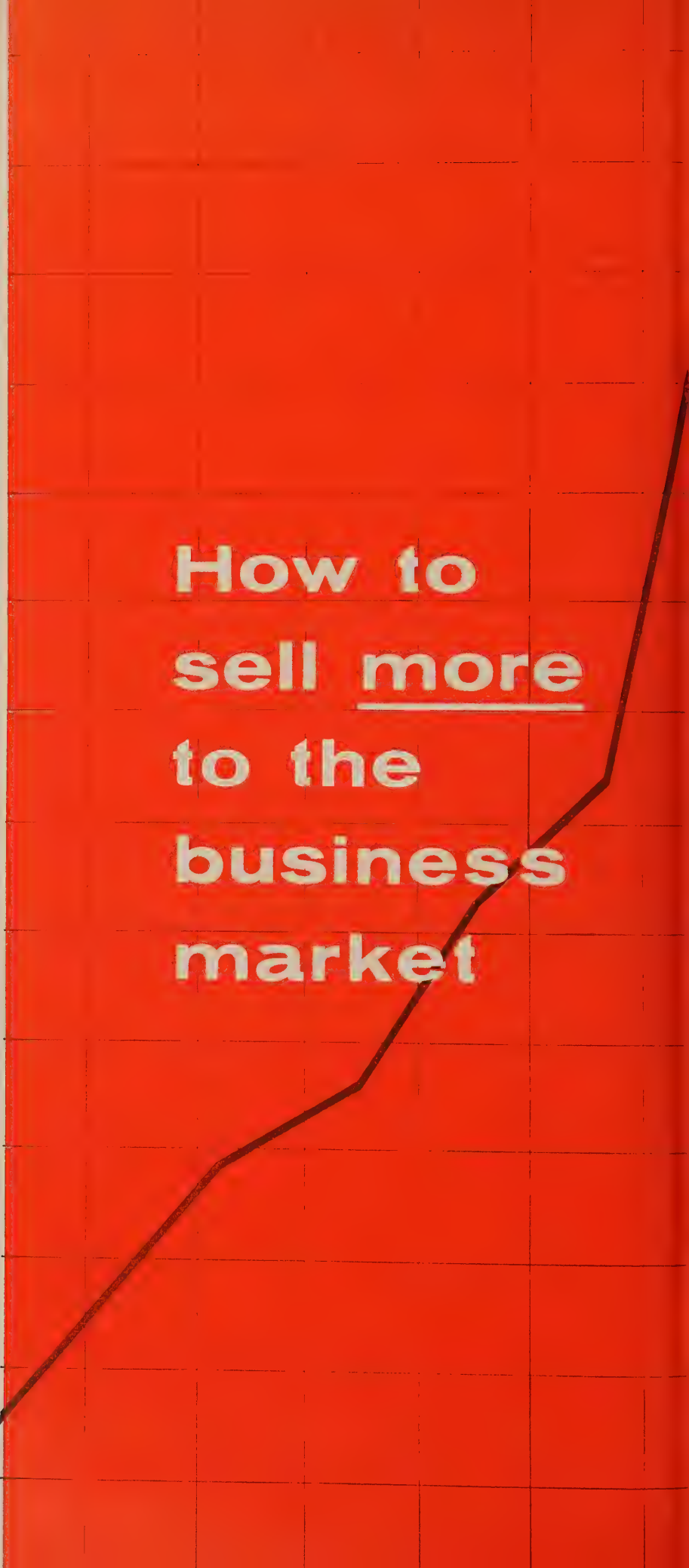
(Circle number 144 for more information)

PRACTICAL FINDINGS

FROM AN MM

RESEARCH STUDY

**How to
sell more
to the
business
market**



If your business sells to business, this article could alter your entire marketing picture. Given here are facts about a multibillion dollar segment of the business market that offers sellers to business their biggest profit potential. The article tells you how to identify this huge market, who controls it, and how to sell it.

- *Relatively few businesses—only 51,000—buy the major portion of all the goods and services sold to the business market, ranging from pencil sharpeners to machine tools, and from insurance to consulting services.*
- *Only 48,000 middle sized businesses—those*

with 100 to 1,000 employees—buy more than do all the giants put together.

- *The simple yardstick of company size identifies the most profitable customers in the business market.*

Three facts could command a shift in your sales strategy right now.

If you sell a business product or service, look at your marketing plan in the light of these explosively meaningful facts:

Fact One: A small fraction of the nation's business firms buy the major portion of all the goods and services sold to business. (For example, in manufacturing only about 25,000 plants—fewer than 10% of the total—account for more than 40% of the capital expenditures.)

Fact Two: These companies are *not* the giants. They are, instead, the 48,000 companies in the country with between 100 and 1,000 employees. These middle sized companies represent the single greatest

undeveloped profit potential in the business market.

Fact Three: These companies are among the easiest to sell. They are big enough to have both the need to buy and the ability to buy an endless variety of things. Yet they are small enough so that usually only one or two key men in these firms make all the major buying decisions, and many of the minor ones too.

The full power of these facts is revealed in the light of new research just completed for MANAGEMENT METHODS. This research unlocks doors to bigger, faster, more profitable sales. Take 20 minutes now to study the facts and figures given here and it might be that you will find compelling reason to re-

align your sales or distributor organization, to shift your sales methods, to change your advertising approach, or even to reshape your product image.

Facts about the findings

First, a word about the research itself.

The facts on which this article is based are unimpeachable. Most of the facts are taken from studies made for MANAGEMENT METHODS

by Market Planning Corp., New York, and by N. R. Ladabouche & Associates, Cleveland, both independent research firms. Their sources were government statistics and other independent research findings.

The studies were initiated by MANAGEMENT METHODS in order to obtain facts for editorial and circulation planning. It soon became clear, however, that the facts being uncovered had a direct bearing on

the sales strategy of practically every company that sells a business product or service. Consequently, the research project was broadened to serve as the basis of this report.

An uneconomical market

It is no secret that the business market is a huge market. Viewed in its unrestricted entirety, it includes about 4.3 million business establishments, all buying various kinds of

(Text continues on page 32)

Figure 1

Manufacturing Industries	The Market of THE MIDDLE BILLIONS			
	MIDGETS With under 100 employees	With 100-999 employees	GIANTS With 1,000 or more employees	TOTAL
Number of establishments	260,233	24,576	2,008	286,817
Per cent	90.7%	8.6%	.7%	100%
Capital expenditures by plants in operation (\$1,000's)	1,509,565	3,164,379	3,144,173	7,818,117
Per cent	19.3%	40.5%	40.2%	100%
Value added by manufac- turing (\$1,000's)	25,219,894	48,432,595	43,259,999	116,912,488
Per cent	21.6%	41.4%	37.0%	100%
Total payroll (\$1,000's)	14,011,653	25,437,168	23,544,462	62,993,283
Per cent	22.2%	40.4%	37.4%	100%
Total employment	4,030,445	6,512,600	5,108,211	15,651,256
Per cent	25.8%	41.6%	32.6%	100%
Number of production workers	3,229,900	5,208,508	3,934,584	12,372,992
Per cent	26.1%	42.1%	31.8%	100%
Production manhours (1,000's)	6,218,023	10,335,204	7,787,974	24,341,201
Per cent	25.6%	42.4%	32.0%	100%
Installed horsepower (1,000 HP's)	17,403	42,844	48,115	108,362
Per cent	16.1%	39.6%	44.3%	100%
Electricity used (millions of KWH)	25,590	97,567	124,509	247,666
Per cent	10.3%	39.4%	50.3%	100%

Source: U.S. Bureau of the Census "Census of Manufac-
turers: 1954." Chart includes all standard industrial
classifications 20 through 30.

TYPICAL COMPANIES IN THE MARKET OF THE MIDDLE BILLIONS

Here is one quick profile of a company selected at random to serve as an example of the 48,000 companies that make up the market of the middle billions. Three other similar company profiles appear on pages 33, 35 and 37. In each case, the chief operating executive was interviewed by telephone. Excerpts from these tape recorded interviews are included.

THUMBNAIL FACTS ON

Reeves Soundcraft Corp., Danbury, Conn.

1958 volume: \$4,786,228

Capital investment: \$1,450,000

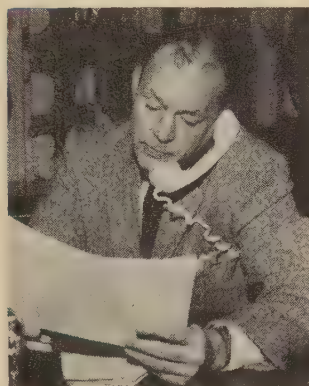
OWNERSHIP: publicly held

EXECUTIVE VICE PRESIDENT: Frank B. Rogers, Jr.

BUSINESS: Manufacturer of recording media, primarily recording tape

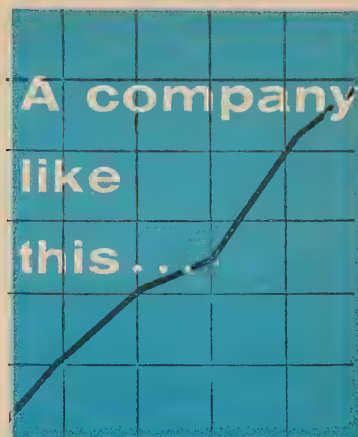
EMPLOYEES: now—208, five years ago—70, ten years ago—20

FACILITIES: two company plants, two subsidiaries, three branch sales offices



Q. Mr. Rogers, what capital equipment items were bought by your company in the last year?

Rogers: We have recently moved into a brand new plant and filled it with about \$600,000 worth of new equipment — ball mills, vacuum operated slitting machines, an overhead conveyor system, a two-



story-high coating machine. In the office we also have completely new equipment — typewriters, desks, filing cabinets.

Q. What major policy decisions have been made in your company during the past year?

Rogers: That would be impossible to answer. Things happen all day long that call for someone to make policy decisions.

Q. Who makes these decisions?

Rogers: I do.

Q. How large a capital expenditure can others in your company make without your personal approval?

Rogers: Anything over \$100 crosses my desk for approval. When you start up a new plant, it is easy to spend money without realizing it. That's why I'm very careful to control expenditures now.



BREAKDOWN OF BUSINESS ESTABLISHMENTS BY SIZE AND INDUSTRY

Number of establishments with:

	Fewer than 100 employees	100 to 999 employees	1,000 or more employees	Grand total
Total, all industry and commerce	3,054,603	47,972	3,133	3,105,708
Manufacturing	258,146	25,754	2,164	286,064
Retail Trade	1,037,040	5,501	314	1,042,855
Public Utilities, Transportation	107,531	3,543	306	111,380
Services	685,475	3,509	72	689,056
Wholesale Trade	258,276	3,208	47	261,531
Finance, Insurance, Real Estate	264,646	2,583	122	267,351
Contract Construction	290,729	2,582	30	293,341
Mining	31,333	1,240	78	32,651
Agriculture, Forestry Fisheries	21,853	54	—	21,907
Non-Classifiable	5,960	4	—	5,964
Unclassified	93,614	—	—	93,614

Source: U.S. Department of Commerce, *County Business Patterns*, First Quarter, 1956.

Note: These figures are based on a total of only 3,105,708 business establishments—those reporting under Old Age and Survivors Insurance. It is estimated that there are more than one million business establishments in the country that do not report under OASI. However, virtually all of these are tiny businesses that do not represent a significant part of the business market.

Figure 2

goods and services needed by firms.

But in its entirety, the business market is not an economical market. There are two reasons for this:

First, unlike the consumer market where every person or "buying unit" is a more or less equally good prospect for most items, the business market is composed of companies or "buying establishments" with vastly different levels of buying power.

Second, despite the differences in

company size and purchasing power, virtually every sale that is made by business to business comes about as a result of a face-to-face encounter between a salesman and a buyer. And this kind of selling is expensive in time, travel and other costs.

How to pick customers

Because the over-all business market is not an economical one, every company that sells to business must somehow find its target

market within the business market. This is a problem of identification—how to select those specific companies which are or could be the most profitable customers in terms of both how much they buy and how much it costs to sell them.

There are scores of different methods that companies use in their attempt to identify their target market. Some of these methods are scientific, others are homely. Some are accurate, others are wild. Some are practical, others are a waste of time.

Analysis of all these methods shows that one of the simplest ways is one of the best ways to identify companies that will make good customers: It is to apply the simple yardstick of company size.

To some experts, this company size method seems too easy and unsophisticated to be worth much. Yet the evidence proves that, if your company sells to business and if the purchase of your product or service involves a top management decision, then the following generalization almost certainly applies to you:

You are wasting sales power and profits unless you select your business customers at least partly on the basis of company size.

On what basis can you best measure a company's size? Repeated trial and error indicates that, short of getting tied up in complicated formulas, the most commonly meaningful yardstick is number of employees. The reason is obvious: except in special cases, when a company grows it has to hire more people to handle its increased volume of work.

A few buy a lot

When you start to mark off the business market by company size measured in terms of numbers of employees, a vitally significant pattern emerges.

You find that although there are all of 4.3 million business establishments in the country, there are amazingly few—only 51,000—that employ 100 or more people. These 51,000 establishments represent only about 1% of the total—yet they are responsible for more than three-fourths of the nation's total business volume.

These 51,000 establishments can be described as the "worthwhile" segment of the business market.

If you look carefully at this worthwhile segment, you find that it can be divided into two more segments: those companies employing from 100 to 1,000 people, and those employing more than 1,000 people.

Of the 51,000 business establishments in the worthwhile segment of the business market, there are about 48,000 with 100 to 1,000 employees; and there are about 3,000 employing more than 1,000 people.*

Among most business people, the 3,000 establishments at the top of the pile are considered the cream of the business market. It is generally assumed—and it is easy to see why—that these big businesses represent the biggest part of the business market.

The facts show differently. The facts show that the middle-sized businesses—the 48,000 establishments with between 100 and 1,000 employees—form the biggest part of the business market.

These middle-sized firms account for more business volume than all of the more than four million smaller firms put together.

The middle billions

MANAGEMENT METHODS researchers have pinned a name on these 48,000 middle-sized businesses; they call them "the market of the middle billions." This market does, in fact, represent the biggest undeveloped profit potential of all segments of the business market.

Here is why:

- It consists of companies small enough in number to be economically reached.
- Yet it consists of companies big enough in buying potential to be worth reaching.
- And, because it consists of companies in every type of business and industry, it forms a measurable market for every kind of business product and service.

To summarize, the over-all business
(Text continues on page 34)

*The exact figures are 47,972 establishments with 100 to 999 employees, and 3,133 establishments with 1,000 and more employees, according to the U. S. Department of Commerce, County Business Patterns, First Quarter, 1956.

THUMBNAIL FACTS ON

Southwire Co., Carrollton, Ga.

1958 volume: About \$11 million

Capital investment: \$1½ million

OWNERSHIP: controlled by president

PRESIDENT: Roy Richards, age 46

BUSINESS: Aluminum cable and other wire manufacturing; minor construction business

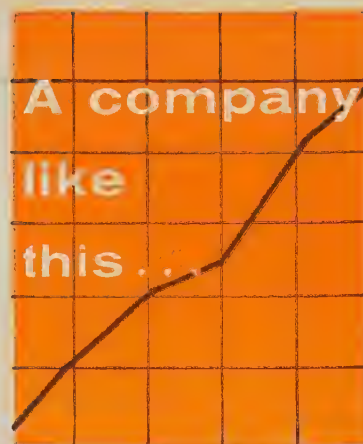
EMPLOYEES: now—340, five years ago—180, ten years ago—5

FACILITIES: one plant, one foreign subsidiary (Brazil)



Q. Mr. Richards, in addition to Southwire Co., don't you have other business interests?

Richards: Yes, I am president of a local bank here, the Peoples Bank. It is not tremendous—a little over \$5 million in deposits—but it is the largest in our county. I also have other interests, like a Ford agency.



Q. Does your company own any aircraft?

Richards: Yes, the company has three aircraft at the present time. We normally have just two, however.

Q. How much management responsibility do you delegate as against how much you hold to yourself?

Richards: I delegate pretty far but I reserve the authority to pass on capital expenditures. Any capital expenditure of \$500 or more must come to my attention. Each of our companies has an executive vice president. I delegate pretty broad authority to these men, except in capital expenditures.

Q. What aspects of the business do not concern you directly?

Richards: I stay out of routine production matters in order to spend more time in sales and financial areas.

FACT OR FANCY?

Is "the market of the middle billions" fact or fancy?

It's fact, according to the presidents who answered a new MANAGEMENT METHODS survey. The findings give clear evidence that most (but not all) businessmen know that the biggest part of the business market is composed of the relatively few firms with between 100 and 1,000 employees.

A questionnaire was sent to presidents in a cross-section of 1,000 companies known to sell a business product or service. Four questions were asked. Here are the findings:

Question: What share of your sales volume goes to companies that are small (fewer than 100 employees), middle sized (100 to 1,000 employees), and large (more than 1,000 employees)?

Answer: Figures vary greatly from business to business, but the answers show that the market of the middle billions (*i.e.*, firms with 100 to 1,000 employees) buy the majority of goods and services sold to business. For example, 40% of the presidents said that small firms account for only 10% or less of their sales. And 55% said large firms account for no more than a maximum of 30% of their sales. But more than half of the presidents said they sell between 30% and 80% of their volume to firms in the market of the middle billions.

Question: In the small, middle sized, and large companies that buy your product or service, how many people, generally speaking, directly influence the purchase?

Answer: It is harder to sell large companies than those in the market of the middle billions. Evidence: 72% of the presidents said that from four to 10 people influence the purchase of their products in large companies, but 78% of them said that in middle sized companies (100 to 1,000 employees), no more than three, and usually only two people directly influence the purchase. (In small companies with fewer than 100 employees, it is seldom that more than three people influence purchases, but these companies are considered the least economical part of the business market because of their scattered numbers and small orders.)

Question: Which company size category would you say represents the most profitable customers for your company?

Answer: More than half of the presidents said that middle sized companies—the market of the middle billions—are their most profitable customers in terms of sales costs and order size. Close behind, 40% said large companies are their best customers; only 8% called small companies their most profitable customers.

Question: Does the company size of your business customers and prospects influence your marketing strategy in a specific way?

Answer: Yes, said 65% of the presidents; the other 35% said no.

ness market can be divided by company size as follows:

The midgets—more than four million business establishments that have fewer than 100 employees. Because of their scattered numbers and low purchasing power, these businesses can be called the uneconomical segments of the business market.

The giants—those 3,000 establishments with more than 1,000 employees. Because of their size, these businesses are a vital segment of the business market. But, statistically, they are not the biggest segment of the market, nor are they the easiest to sell.

The middle billions—those 48,000 establishments with between 100 and 1,000 employees. These companies represent the biggest, easiest to sell, most profitable segment of the business market.

A look at manufacturers

More than half of the companies in this market of the middle billions are in some phase of manufacturing. Therefore, the figures regarding manufacturing firms with from 100 to 1,000 employees are particularly significant—and revealing.

Figure 1 is based on the latest "Census of Manufacturers." It indicates a total of 286,817 manufacturing establishments.

Of these, 260,233, or 90.7%, can be described as midgets; they have fewer than 100 employees.

Another 2,008, fewer than 1%, can be called giants; they have more than 1,000 employees.

The rest, 24,576 establishments, or 8.6% of all those in manufacturing, are in the middle billions category; they employ from 100 to 1,000 people.

Now, note in *Figure 1* that these 8.6% of all manufacturing establishments account for:

- 40.5% of the capital expenditures
- 41.4% of the value added by manufacturing
- 40.4% of the total payroll
- 41.6% of the total employment
- 42.1% of production employees
- 42.4% of production manhours
- 39.6% of installed horsepower
- 39.4% of electricity used

Every one of these percentages

higher—significantly higher—than the comparable figure covering the 0% of manufacturing establishments in the midget category.

And in every case but two, these percentages are higher than the comparable figures for the fewer than 1% of manufacturing establishments in the giant category. The two exceptions are installed horsepower and electricity used, where the giants hold the edge.

These comparisons prove without question that, at least as far as manufacturing industries are concerned, the market of the middle billions is much bigger than the market of the midgets, and bigger even than the market of the giants, although to a lesser degree.

The size of the middle billions market is implied in figures for non-manufacturing industries too. For example, the general merchandise category of the retail industry (which includes both department and variety stores) is a striking example of the potency of this market. Two per cent of the firms employ 100 or more employees, yet these firms account for 57% of the sales.

Figure 2 gives the number of small, middle sized and large establishments in each major industry classification.

Who controls the market?

Two characteristics are common to many if not most of the medium sized companies that constitute the market of the middle billions:

Growth. For many firms in the 100 to 1,000 employee category, dynamic growth is accepted as normal. The reason seems clear: these companies are large enough to possess the strength and resources for rapid expansion, yet small enough to have plenty of growth potential above them.

Centralized management. A high proportion of firms in the 100 to 1,000 employee category are dominated by just one man. And seldom are major decisions, including purchasing decisions, made by more than two or three men. The reason again is related to company size. These companies generally have strong, capable men at the helm, which often explains why they have

(Text continues on page 36)

THUMBNAIL FACTS ON

Premier Industrial Corp., Cleveland

1958 volume: nearly \$20 million

Net worth: \$7 million

OWNERSHIP: family owned

PRESIDENT: Morton L. Mandel, age 37

BUSINESS: manufacturers and distributors of auto parts, industrial fasteners and related products; subsidiary sells prizes for sales incentive programs

EMPLOYEES: now—850, five years ago—650, ten years ago—400

FACILITIES: corporate headquarters and three distribution centers (two more planned)



Q. Mr. Mandel, why the change in name from Premier Auto Work Co. to Premier Industrial Corp.?

Mandel: We have changed our way of thinking about our future. We are going to diversify—new markets as well as new products. The new name gives us more flexibility.

Q. Would you describe your grow-



ing business as a major user of business products and services?

Mandel: I can say that a couple of years ago one of the major airlines told us we were among their 60 largest customers. We do a tremendous amount of flying and have all our air travel billed through this airline. I would guess that today we are an even bigger customer.

Q. What major capital items did your company purchase last year?

Mandel: Materials handling equipment, office machinery and equipment, building improvement equipment (air conditioning, for example). We also spent a significant amount on salesmen's aids—catalog equipment, briefcases and so on.

Q. In the case of policy decisions, where does the action usually originate?

Mandel: Action may go from subordinate to superior or from superior to subordinate. However, final approval for major capital expenditures would come from me.



WHO MAKES THE BUYING DECISIONS IN BUSINESS?

New facts point to the conclusion that as company size goes up, the level at which final purchasing decisions are made goes down.

The facts are in a survey made for **MANAGEMENT METHODS** by an independent research organization, Market Planning Corp., New York. Some 400 companies were questioned on who would play a pivotal role and who would play a participating role in the decisions to buy 1) 10 electric typewriters for \$5,000, 2) cars and trucks, 3) new plant facilities, and 4) an employee life insurance plan. The companies surveyed fell into two categories—middle sized companies with from 100 to 1,000 employees, and large companies with more than 1,000 employees.

Full tabulation of the surveys had not been completed at the time this article went to press. However, here are some of the preliminary findings pointing to the conclusion that as company size goes up, the level at which final purchasing decisions are made goes down.

NOTE: For a free copy of the full tabulation of the survey findings, simply circle number 245 on the Reader Service Card.

PURCHASE: 10 electric typewriters worth \$5,000

In middle sized companies far more frequently than in large companies, the pivotal decision makers for the purchase of 10 typewriters would be identifiable top executives. For example, among the middle sized companies queried, 42% of the presidents would play a pivotal role, as would 30% of the executive vice presidents, and 33% of the general managers. Comparable figures for large companies are 29% president, 18% executive vice president, and 27% general manager.

In large companies more so than in middle sized firms, the pivotal decision would be made by one of perhaps several vice presidents or men at lower levels.

PURCHASE: company cars and trucks

In the purchase of cars and trucks, a top executive would be the pivotal decision maker in middle sized companies more frequently than in large ones. Of the middle sized companies surveyed, 48% of the presidents would be a pivotal factor, as would 43% of the executive vice presidents, and 35% of the general managers. Comparable figures for large companies: 28% president, 21%

executive vice president, 27% general manager.

PURCHASE: new plant facilities

Again, for the purchase of new plant facilities, the pivotal decisions are commonly made by easily identifiable top executives in middle sized companies, but this is less true in large companies. For example, the purchase decision would be made at the vice president level in 41% of the large company cases, but it would be delegated to this secondary level in only 27% of the middle sized firms.

PURCHASE: employee life insurance plan

In the case of this particular purchase, the preliminary survey findings show a somewhat mixed picture. For example, the findings show that more presidents in large firms than small firms would make the pivotal decision to buy an insurance plan. But when it comes to executive vice presidents and general managers, the picture returns to normal: in middle sized companies these key men are more commonly the pivotal decision makers than are their counterparts in large companies.

already grown to their medium sized status. Yet these companies are small enough that they do not generally need a large number of management people. The top man is able—and perhaps forced—to hold most if not all decision making responsibility himself.

These two major characteristics make for a unique selling situation—first, because growing companies make good customers for business products and services, and, second, because centralized management makes selling easier and faster. This second point is amplified in the two sets of research findings reported in the boxes on page 34 and on this page.

The survey results on page 34 show that in a giant company, it is not uncommon for as many as 10 people to influence a purchase, whereas in those companies with between 100 and 1,000 employees, seldom do more than two or three top people make major purchasing decisions. The buying influence study reported at left reveals that as company size goes up, the management level at which purchasing influence is exerted goes down.

Profile of a market

Statistics are only two dimensional. What do the 48,000 companies that make up the market of the middle billions look like in their real, three-dimensional form? It would be impossible to draw a composite picture of this major segment of the over-all business market. However, the four companies briefly profiled on pages 31, 33, 35 and 37 serve as token examples of the market of the middle billions.

All of these companies are in the 100 to 1,000 employee category. They were selected in a casual manner from among **MANAGEMENT METHODS**' own reader lists.* Each company was picked from a different region of the country: the East South, Midwest, the West Coast.

The chief operating executive o

*Actually, 64.3% of the **MANAGEMENT METHODS** circulation goes to top executives in firms with from 100 to 1,000 employees; another 24.3% goes to top men in companies with more than 1,000 employees. In fact, **MANAGEMENT METHODS** is read in four out of five of all the companies in the country with more than 100 employees.

each of these four companies was telephoned and interviewed with a standard set of pointed questions. The four telephone interviews were tape recorded.

The fact that the four men were willing and able to respond with immediate answers involving detailed information about their companies is indicative in itself. It indicates that in the medium sized companies that make up the market of the middle billions, the chief executive is very frequently a tough-minded, but open-minded, decision maker who not only performs at the policy and planning level, but is also intimately involved in the day-to-day operations and problems of his company.

Conclusion

Many conclusions can be drawn from the facts and figures about the huge market of the middle billions. Most of your specific conclusions will be colored by the kind of product or service you sell to business.

But one general conclusion can be stated. It is that if your product or service is one that is designed to benefit business, and if its purchase involves a top management decision, then there is no more fruitful market for you than the market of the middle billions, composed of those 48,000 companies in the country with between 100 and 1,000 employees. ■

IF YOU WANT MORE FACTS

A 16-page statistical report on the market of the middle billions is available for \$1. The report was especially prepared for **MANAGEMENT METHODS** by Market Planning Corp., New York. The report will be sent as an attractively bound booklet which includes a reprint of the above article. To receive a copy, send \$1 to Research Department, **MANAGEMENT METHODS**, 22 W. Putnam Ave., Greenwich, Conn. Ask for Research Report Number 1.

THUMBNAIL FACTS ON

Republic Supply Co. of California, Los Angeles

1958 volume: \$25 million
Net worth: \$9.6 million

OWNERSHIP: family controlled, publicly held

PRESIDENT: John J. Pike, age 47

BUSINESS: distributor (oil well & industrial supplies); minor manufacturing (wheels and other metal products)

EMPLOYEES: now—530, five years ago—450, ten years ago—350

FACILITIES: 14 warehouses, two subsidiary plants



Q. Mr. Pike, as president of your company, what kinds of problems concern you most?

Pike: I spend my time on different problems at different times. Once a particular problem is under control, I shift my attention to something else. Lately I've been concentrating on cost control—expense re-



duction. But these things come in waves. I can't say that there are any areas of the business that I don't get my finger on at some time or other.

Q. In other words, your attention is devoted to whatever the major problem happens to be at the time.

Pike: Right. I think my job is to do two things—to plan for the future and to keep abreast of the problems of the day.

Q. What kind of policy decisions have you made during the past year?

Pike: I would say my major decisions in the last year have dealt with pruning our company to make it grow in the most profitable directions, and forcing healthy growth through acquisitions. I try to find or generate ideas that will benefit our company.



How to use the powerful question—

**WHAT'S
IN IT
FOR ME?**



Salesmen commonly kill sales by plugging product features instead of results. But when salesmen learn to put themselves in the customer's shoes and use the powerful question, "What's in it for me?" things begin to happen.

by Ted Pollock

What does a million-dollar selling point sound like? Like this:

1. "Our garments retain the same modulus and hysteresis characteristics even after six months' exposure to body oils, soaps, detergents, and oxidizing atmospheric gases."

2. "This alloy covers steel with a film of chromium oxide."

3. "We add aluminum glycinate and magnesium carbonate to our acetylsalicylic acid."

4. "The wide-spaced wheels give our cars a lower center of gravity."

These selling points have really brought home the bacon! They have sold literally hundreds of millions of dollars worth of girdles, stainless steel, buffered aspirin and automobiles. Each sums up a distinctive superiority that gives the product a commanding edge over the competition.

But before each of these gilded clinchers could exercise its persuasive magic, some crack salesman had to listen to it with his prospect's ears, then answer the question, "Yes, but—what's in it for me?"

And this is what he said:

1. "These girdles won't lose their shape. They keep you looking younger—longer." (Playtex Foundations).

2. "By shielding steel from the water vapor, salt and sulphur gases in air, you get corrosion-resistant, or 'stainless,' steel. It keeps looking new and shiny, lasts longer, needs less care than other steels." (Vanadium Corp. of America).

3. "Because these compounds combat certain side effects of aspirin, Bufferin won't upset your stomach." (Bristol-Myers).

4. "Its hug-the-road stance gives you a smoother, steadier, safer ride." (Pontiac).

That salesman obviously knew—

What customers want most

■ People don't buy things; they buy what things will do for them. They buy enjoyment, fulfillment, satisfaction, solutions, performance, advantages, benefits. People never buy a product. They always buy a result. It's their only incentive for parting with money.

Basic stuff? Perhaps.

Yet the truth is: an incredibly high percentage of salesmen fumble their opportunities because they plug product features instead of selling customer benefits.

Frequently, there is just one reason for this costly oversight. They don't know—or have forgotten—

The difference between a feature and a benefit

■ Salesmen tend to become intrigued with technical superiority in the jargon of their trade. They forget that Mrs. Jones is less concerned with the thermodynamics of a heating plant than with the answer to the question, "Will it heat economically?" They overlook the fact that the average gardener is far more interested in how beautiful his grounds will look if he uses XYZ weed killer than in a learned dissertation on soil chemistry. They ignore the human desire for comfort and, instead, stress the high quality of the cushion-stuffing in their furniture.

"But," some salesmen protest, "I tell my prospects all the good things I can about my product."

"From whose viewpoint?" asks Ben Dugas, director of sales training for Pepsi-Cola. "How a product is put together or how a company operates is of no direct interest to a prospect. Only one subject in the whole wide world holds instant, absolute appeal for him: himself. Describe the great new advertising campaign your firm is launching and he'll think, 'That's nice,' nothing more. But show him how the demand for your product—and consequently his profits—will increase as a result of that campaign and you'll collar yourself a receptive audience eager to buy. In the first case, you're talking about a feature; in the second, about a benefit."

What's the difference?

■ A *feature* is a built-in detail of a product or service.

■ A *benefit* is the satisfaction of a need or want which a product or service is able to provide.

The *feature* relates to the product, the *benefit* to its enjoyment. The *feature* is what interests the manufacturer; the *benefit* is what interests the customer. The *feature*

is the "train"; the *benefit* is the "destination."

In short, the *feature* makes the *benefit* possible. That's why—

A good salesman is a good translator

■ "When our dealers approach a company," reports George W. Haag, vice-president of Facit, Inc., "they don't point out the Swedish steel

Why people buy

Although different people are sold by different benefits, motivational research has uncovered four common denominators of desire. Appeal to any of these and almost certainly you will touch a responsive chord in your prospect:

SUSTENANCE. People buy the things they feel they must have to live—food, shelter, clothing. But we are all experts at rationalizing our desires. Given the slightest justification for considering a product necessary—we buy.

SEX. Every man wants to be masculine; every woman wants to be feminine. If a product caters to this deep desire to appeal to the opposite sex, we are attracted to it.

SECURITY. A basic need is for safety and we tend to buy those things that may, by any stretch of the imagination, be counted on to ward off injury or misfortune.

STATUS. The desire to feel important or powerful is built into almost everyone. If a product promises to raise our own—or our neighbors'—estimation of us, we are tempted to buy it.



construction of our machines and stop there. It wouldn't mean anything to many prospects. Instead, they go on to translate Swedish steel, among the world's toughest, into deeply personal benefits for the customer—in this case, no breakdowns, no down time. A modern business can lose a lot of time and money if its calculating machines conk out. Our dealers emphasize that parts made of Swedish steel practically eliminate that worry. In other words, they mention the feature but spotlight the benefit it makes possible. That's when ears perk up and orders are signed."

In solid agreement is Richard Tamney of First Investors Corp., who says, "In my opinion, one of the salesman's chief functions is to bring good news to a prospect. But when a buyer's native tongue is English and the sales message comes through to him in Greek, the result is a foregone conclusion—no sale.

"The fact that a mutual fund offers investment diversification may be news to an unsophisticated investor, but until the salesman explains how diversification protects him, the prospect has no way of knowing whether the news is good, bad or inconsequential. I always work under the assumption that the prospect has just asked, 'What's in it for me?' And as it turns out, he

has! The salesman who can translate technical product features into vivid pictures of personal satisfaction is bound to sell."

One way to determine precisely what major benefits your product has to offer is to examine your product, list the five major features which constitute its advantages or superiority over the competition, and actually translate them into customer terms.

For example, if you are selling a "small" car, your five major features might read: 18 inches shorter than standard automobiles; 600 pounds lighter; sports car styling; five-foot-wide seats; costs only \$1,800.

Translated into answers to "What's in it for me?" those features might become these benefits: maneuverable, easy to park; saves money on gas; high trade-in value; seats six adults comfortably; small down payment.

R. P. Steiner, assistant general sales manager of General Cable Corp., suggests another approach. "Check back with satisfied customers and find out exactly how they are benefiting from your product. You'd be surprised how much an alert salesman can learn from the people who use his product."

"But," cautions the sales manager of an insurance firm, "not all the benefits of your product are of

equal interest to different prospects. To one man, the most important thing in the world may be the knowledge that his child's college education is assured. To another, a guaranteed income at 65 may be of prime concern. A third may respond most enthusiastically to the idea of having his home paid for in case of emergency.

"Therefore, the salesman has to assess the prospect's individual needs and pinpoint those which his product or service can most effectively satisfy."

How?

By doing reconnaissance along—

The three roads to a prospect's motives

■ Here are three of the easiest—and most often overlooked—methods of determining the "right" benefits to emphasize for a specific prospect:

1. **Turn detective.** A sales representative for an aluminum door manufacturer makes it his business before calling on a prospect, to "case" his home. By the quality of the paint job, the appearance of the grounds, the kind of car parked in the driveway—even the magazines in the mailbox—he can make some shrewd deductions about the prospect's wants and pre-choose the benefits most likely to satisfy them.

(Continued on page 74)

FEATURE VERSUS BENEFIT

Vacuum packed
Compact head design
Over 1,000 discs between tread ribs
A blend of nine rare waxes
Built-in floating action
Free point-of-sale display
It rolls on
Right-angle action

Coffee stays fresh, tastes better.
Golf club hits ball further.
Prevents skids because tire tread can't squeeze shut.
Your shoes have that just-shined look for days.
It's less tiring to work this calculating machine.
Triggers impulse buying, gives you plus profits.
Deodorant never has to touch—or stain—fingers.
Steel wool pad picks up all dirt easily.

These eight examples show the difference between a feature (the built-in detail of a product or service) and a benefit (the satisfaction that the built-in detail provides). Experience shows that selling benefits gets sales; selling features doesn't.

How to pack more power in your words

Your executive ability is determined largely by how well you can transplant thoughts from your own mind into the minds of others. Here are eight guides used by those who are expert at putting their ideas across. Use these guides and people will begin to get more meaning from your words.

by **Lew Shalett**, *President
Sheldon-Claire Co., Chicago*

Four things cripple your ability to convey precisely your ideas and instructions to the people with whom you work.

- **Failure to clarify** in your own mind the message you want to convey. If you haven't analyzed your thinking carefully, it is difficult to project these thoughts into words to others.

- **Failure in semantics.** You may know what you are thinking, but fail to present your idea in language understandable to others.

- **Failure to hold attention** or interest. If your words have no impact, you can lose your listener or reader in 90 seconds or less.

- **Failure to identify** your audience with your words. Some executives fail as communicators because they habitually speak from their own management point of view, rather than from the viewpoint of the people to whom they speak.

You undoubtedly recognize one or more of these failures in your own efforts to clearly express yourself in spoken and written words.

If so, there are eight basic guides

that will help you. Apply these guides to your own communicating and you will experience the satisfying feeling that your words pack more punch than they did before.

1. Clarify your ideas before speaking or writing.

Before you attempt to communicate a problem or idea, make certain that you understand the problem or idea—clearly. Don't start talking until the thought is sharply drawn in your own mind. Much management communicating fails because of inadequate planning. Proper planning includes consideration for the aims and attitudes of those who will listen or read.

2. Determine the real purpose you want to accomplish.

Before you start forming your words, decide what it is that you want to happen as a result of your message. Is your purpose to give information? To elicit information? Initiate action? Change another

person's attitude? Whatever your goal, your chances of reaching it are increased if you identify the objective first, and then adapt your language and the tone of your message to serve that specific objective. The fewer your objectives, the sharper will be the focus of your words, and the greater will be the chances of their being clearly un-



**ABOUT
THE
AUTHOR**

Lew Shalett has dealt with the effectiveness of words most of his life. Moving from salesman to actor to personnel problem-solver, he organized The Sheldon-Claire Co. in 1933. The company's objective is to improve worker productivity with word-and-picture campaigns that present facts about profit in a simple, interesting, and easy to grasp way. Shalett recently returned from Russia, where he studied similar Soviet methods of boosting productivity.



Keep it simple

If you keep your language simple and direct, people will be more inclined to listen to you, because they can understand you without struggle. Shown at right is an example of a complex idea expressed in simple yet powerful language (taken from one of the employee communication posters produced by the author's company).

WE NEED YOUR HELP

We can't have jobs unless we stay in business.
We can't stay in business unless we make sales.
We can't make sales unless we give value.
We can't give value without YOUR help.

To make sales, to make jobs for all of us...

**HELP YOUR COMPANY
...HELP YOURSELF**

derstood and, equally important, fully accepted.

3. Adapt your words to the environment.

Meaning is the essence of communication, but meaning is conveyed by far more than the definition of your words alone. Here are some other things that color the meaning of your words, and influence their strength:

Timing—whether your message is delivered at a good or bad time.

Physical setting—whether you pick words that fit the surroundings.

Social climate—for example,

whether the message is to be public or private.

Custom—the degree to which your message must conform to established patterns in order to obtain acceptance.

4. Watch your semantics.

Words are only symbols and, like all symbols, are useless or even harmful unless your audience shares the meaning you give them. When spoken, words may be clearly understood because of your tone of voice or facial expression. But when the same words are written, they may have less meaning or a different meaning. How you select your

words is particularly critical when you talk to employees. Even a simple term like "the company" may cause vastly different pictures in the mind of the boss and in the mind of an hourly worker. Words like "union" or "strike" may have even more diverse meanings for a manager and a worker.

5. Connect your message to the reader's interest.

Your words will be dimmed in meaning if they are not recognizably identified with the interest and attitude of your reader or listener. To hold their full power, your



Make it strong with pictures

Photos, drawings, charts—all can be used to add meaning to language. And even when you can't use illustrations, you can use concrete "picture words" that create a picture in the reader's mind. Repeated studies prove that most people respond to dramatic language and pictures. In one psychological study, 85% of the test group responded instantly to a message expressed in a few words and supplemented with an illustration. Only 15% responded to the same message expressed in cool, logical, methodical terms. Both of the posters at right illustrate good use of brief language strengthened by pictures. Poster at top is from the continuing series published by Sheldon-Claire. Poster at bottom illustrates how the Russians use the same communication method to stimulate worker productivity.



words must take into account the point of view of the reader. People in the job will be more responsive and will react more favorably when their personal interests and needs are touched by the words you direct to them.

5. Follow up your communications.

Your best efforts at effective communication may be wasted if you do not follow up to see how well your ideas and instructions have been conveyed. Ask questions—and encourage people to ask questions of you. Elicit reactions to what you have spoken or written. Make certain that there is a "feedback" on every important message that you deliver, so that you can determine how accurately it was received and how strongly it motivated the action you intended.

7. Use words that motivate.

Getting an idea across is not enough. Your message must not only explain—it must create action—for example, inspire a worker to do the best job possible. You can achieve the ability to create action with your words only when your listener or reader is made to see specifically how he benefits—what's in it for him, and how he can contribute. Make your words appeal to the common interest of you and your listener.

8. Avoid abstractions.

Abstract ideas sometimes must be expressed in abstract terms, but such terms should be avoided whenever possible. Frequently it is possible to translate an abstraction into something concrete, if only by example or simile. Abstract expressions are likely to cause only dull mental impressions, and frequently create misunderstanding. But when abstractions are expressed in concrete terms with "picture words," the impact is stronger and the ideas are more likely to be remembered.

A good rule to remember for all our communicating is that what people are told isn't what counts—it's what they understand, accept, and do about it. ■

Reprints of this article are available. See details on page 78.

How to use insurance in executive pay plans

Insurance can bolster executive capital build-up at minimum cost to your company. Here's how.

Editor's note: This practical advice on the effective use of insurance in executive compensation plans is one brief chapter in a new, comprehensive book, *Life Insurance and How to Use It*, by well-known tax expert William J. Casey. The 228-page volume is published by the Institute for Business Planning, Inc., 2 W. 13th St., New York 11. The price is \$12.50.

■ To attract and hold executive talent, companies devise all kinds of financial plans. Most of these arrangements are created by some combination of these eight methods:

1. Long-term employment contracts offering individual retirement benefits.

2. Long-term contracts providing benefits for the executive's wife and family.

3. Deferred bonuses payable in company stock.

4. Stock options.

5. Long-term stock purchase programs financed by company loans.

6. Company carried group insurance on the executive for his family.

7. Split-dollar insurance coverage with the company financing the increase in cash value.

8. Company insurance on the executive's life tied in with an agreement to purchase the executive's stock on his death. This arrangement permits the executive to accumulate capital tax-free through the company's stock. It also guarantees his family liquid assets which can give an investment income.

What insurance can do

Here is a check list of how insurance may be able to contribute to an executive pay plan:

☐ A company can carry insurance to indemnify itself against the loss of a key man and to assure itself of the funds necessary to meet any obligations it may have to his dependents.

☐ Similarly, a company may carry an endowment policy to meet the

retirement obligation to its executives.

□ A corporate insurance policy can indemnify the corporation for any payments it may have to make to fulfill a deferred pay contract. The tax-exempt build-up of interest in an insurance policy, and the ultimate payment of maturity proceeds to the corporation without tax, can offset the corporation's deductible payments to an executive after retirement. In fact, a corporation, if it can carry enough insurance on the life of an executive, can make a deferred pay contract ultimately without cost to itself.

□ Insurance can cover tax liability accruing at death under a stock option plan and assure the funds necessary to take advantage of a favorable option which might otherwise expire upon an executive's death.

□ Insurance carried within a company can convert an executive's minority stock interest into cash capital for his family without payment of capital gains tax.

□ Insurance carried within a corporation can provide for a step-up of an executive's stock interest as the insurance proceeds are used to redeem the stock owned by other stockholders at their death.

Safeguards in insurance

Such insurance should be carried only as a company investment. The company should pay the premiums, and the proceeds should be payable to it. It should not be tied in to any compensation obligation or to any obligation to retire the stock of an executive. It should serve only as an investment designed to indemnify the corporation in the event of the premature death of an executive. Any commitment to pay future compensation to an executive or to redeem his stock should not be tied to any insurance contract carried by the corporation, but should be backed, purely and simply, by the faith, credit and financial resources of the corporation.

The insurance contract can give the corporation a tax-free build-up of annual accumulations to meet the future liability. It can relieve the company of the mortality risk:

1. By annuity, if the company has

an obligation to pay the executive for life.

2. By insurance, if his death would create a liability to his dependents.

Where the deferred pay liability is funded by ordinary life insurance, the corporation can meet future retirement payments out of cash surrender value and tax savings on its payments.

If the executive should die, the insurance proceeds go to the corporation tax free and can be used to compensate his successor and to meet obligations to the decedent's dependents.

The corporation will not be able to deduct the annual premiums. But the cash value will be an asset on its balance sheet to offset payments on the surplus. Future pay-

ments to the retired executive or his family will be deductible by the corporation.

Insurance in stock plans

There are a variety of ways in which insurance can be used to support executive stock option and stock purchase plans.

The corporation may carry insurance on the life of an executive who has participated in a stock bonus plan. The insurance proceeds can be used to buy in his bonus stock at its then current value. The stock will have served its purpose in giving the executive a stake in building the company while he was alive.

A funded contract to buy his stock may give him the assurance that his family will have a form of investment income in which risk and management responsibility are at a minimum.

This arrangement will permit the company to give equity compensation to an executive while avoiding permanent dilution of the equity of other stockholders. It can also convert profit sharing to capital gains by having the corporation buy in executive stock at a price reflecting company profits.

Insurance proceeds may permit an executive's family to exercise a favorable stock option. If the stock is a seasoned one with a steady dividend record and, by virtue of the option, can be purchased sufficiently under market price, it may be the best available investment for family security. Insurance proceeds may permit the family to acquire the stock at 85% or less of its current price and, if it yields 5% on the market, it can give the family a return of 6% or more.

One caution: there is a potential income tax liability in the exercise of an 85% stock option. Death will make the full difference between option price and a possible lower market price at the time the option was granted or at time of death, fully taxable as ordinary income in one year on the executive's last return. If the executive is in the very high brackets, this may make him back away from an 85% option. This risk can be covered by life insurance. ■

Reprints of this article are available. See details on page 78.

10 WAYS TO USE INSURANCE IN BUSINESS

Life insurance can serve many corporate purposes. Often it is the fastest and least costly way of making needed cash available in specific situations.

Here's a checklist of some major areas where insurance can answer the needs of management, particularly in small and medium sized businesses.

1. Retirement of stock.
2. Provide liquidity to meet estate tax on corporate stock.
3. Guarantee a market for corporate stock.
4. Finance the purchase of stock by survivors.
5. Pay death benefits and continued salary to the owner's family.
6. Replace key men.
7. Facilitate recapitalization and incentive arrangements for successor management.
8. Meet additional working capital needs arising from the owner's death.
9. Clear off liabilities and replace borrowing power based on owner's personal credit.
10. Replace capital value of earning power based on owner's personal ability.

How to size up a man in sixteen minutes

You haven't got unlimited time to interview job candidates. So you have to use shortcuts. Here is one shortcut — a set of eight basic questions to ask. The answers will give you a quick idea as to whether the man is right for your company.

by **Lon D. Barton**, *President*
Cadillac Associates, Inc., Chicago

In this the age of the depth interviews, aptitude batteries and the Polygraph, are there shortcuts — indicators of character, drive and competence — that you can use to size up a man without resorting to stereotyped, inaccurate devices?

Yes, there are. In fact, by asking a few questions, you can gain a clear picture of whether a candidate is suitable for your organization. You can reduce the number of basic questions to eight. If you figure on getting an initial answer from a candidate to each of these questions in one minute, then you can size up your man in eight minutes.

Is this a valid technique? I can only give you an empiric answer. It has worked for me in screening literally thousands of candidates for executive positions for which we have received job requisitions from a "blue book" of American industry.

What are the questions? Let's look at them quickly first and then examine each one more carefully:

1. Which of the jobs listed on

your resume did you like best and which least?

2. How did you get your jobs?

3. Why are you interested in a position with our company?

4. What are your plans — short range and long?

5. What job would you choose if you had the complete freedom to do so?

6. What are your major assets? Weaknesses?

7. What are your hobbies?

8. What was your father's occupation?

Laboring the obvious?

Your first reaction to these questions may be that they labor the obvious, that these are questions which any candidate should be asked. However, the evidence shows that corporations today are wasting thousands of dollars on personnel nostrums to help them make decisions when putting these eight questions together to develop a logical pattern of an individual's fitness would do the job better — and save time and money too.

While looking at a man's resume,

you have a chance to make your first judgments on him—his age, marital status and education; the number of jobs he has held over a given period; the caliber of companies he has worked for; his progress with those companies (this is one of the most important "questions" of all); his appearance and some indication of his personality, articulation and social sense.

Now let's take a closer look at the eight basic questions. Running through all of them you will find one basic quality: each question should help you arrive at the ob-



**ABOUT
THE
AUTHOR**

Lon D. Barton is president of the largest executive placement and procurement firm in the country. Thirty years experience in dealing with jobs and job applicants has made him a recognized authority on the subject of personnel.

jectivity and apparent honesty of the executive, which are major criteria in executive fitness. But let's look at each one specifically.



TWO
MINUTES

1. Which of the jobs listed on your resume did you like best?

His answers here can give you specific areas where he can be of most value to you. If he is non-committal, if he likes all of them, you may have an indication of drive or the lack of it, or a lack of discrimination or planning for his own growth. It is normal to have preferences.



FOUR
MINUTES

2. How did you get your jobs?

He may have obtained them through family connections. This in itself is not bad if the applicant is well qualified. His reply also will give you an indication of resourcefulness. If he planned to get this type of job, and embarked on a definite campaign to obtain a particular job, then he can be valuable to you in putting this imagination to work. Or did he just take it as a means to an end?



SIX
MINUTES

3. Why are you interested in a position with our company?

Many men I interview candidly say, money. If this is the sole motivation, then I tend to pass over them. If a man can show research on your firm and why he feels working for you would be stimulating both for him and the firm, then he has passed one of my hurdles. This question is another attitude indicator. Answers to it will go a long way in developing your pattern of the individual.



EIGHT
MINUTES

4. What are your plans — short range and long?

This is a major if not the most important question of my eight. Every executive should have definite plans for where he plans to be and what he plans to be doing one year from now, five and even 10 years from now in a general way. Failure to be able to verbalize on this indicates that the man has not evaluated his own potential or his relationship with his chosen work. A definite plan will give you, the interviewer, a chance to see if his ideas mesh with those of your own, but I would give a man a plus just for having specific goals. Most men don't.

AMEN!



TEN
MINUTES

5. What job would you choose if you had the complete freedom to do so?

Here again we have a good indicator of suitability for your firm. I like imagination but this imagination should mesh with the realities of the man's capabilities and what you can offer him in your company. The dreamer probably belongs in another echelon of your firm.

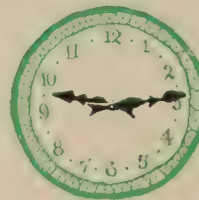


TWELVE
MINUTES

6. What are your major assets, weaknesses?

I once screened a man for an executive position with a top electronics firm. When I asked him about his weaknesses he looked me squarely in the eye and said, "I have none." I happened to know that he was a heavy drinker. I don't expect a man to reveal his inmost personal secrets to me, but I do expect him to know his faults — whether it be a dislike for detail,

sloppy dress or bad grammar. The man who is aware of his faults is making an honest effort to correct them and, more importantly, has shown insight and thought in evaluating his own situation. Assets should be stressed too as an indication of self confidence.



FOURTEEN
MINUTES

7. What are your hobbies?

This is a "fishing" question in several ways. It gives me the answers to a lot of other questions. You get a view of a man's outlook on life and his aptitudes by talking hobbies. This is not a flat generalization, but it is surprising how many good engineers play chess or have other sedentary hobbies. Good salesmen tend to have more gregarious hobbies. They enjoy meeting people in their work and it shows up in their off hours activity.



SIXTEEN
MINUTES

8. What was your father's occupation?

Whether we like to face it or not, the age of the man born in a log cabin who becomes president is almost past. Many men exceed the professional stature of their fathers, but few exceed it very far and here is a good rule-of-thumb measure of executive potential.

The man's attitude in answering this question will give other valuable clues to his total makeup. Is he defensive about his father? Does he bewail his fate in not advancing farther than his father? Does he deride his father for being foreign born or for other ethnic or religious shortcomings? Does he alibi? He doesn't belong with you.

These are my eight questions. But no one question or situation can give you the answers, just as no one aptitude test can tell you all you need to know about a man. ■

Reprints of this article are available. See details on page 78.

Your company probably needs more brainy employees now than ever before. How well you select, place, motivate and use these people may actually determine your profits. With the use of psychological tests, you can eliminate costly mistakes in personnel handling. Here are the facts.

Six ways to use psychological tests

Notwithstanding William H. Whyte Jr. and other amateur sociologists to the contrary, psychological tests can make your company more profitable.

In some companies, tests have become virtually indispensable.

Here's the reason:

Tests yield promising, often canny clues to the capabilities, interests and personalities of executives, salesmen, supervisors, secretaries and other workers. They help cut the huge cost of miscalculating a person's qualifications—of hiring him when he shouldn't be hired, or of using him in the wrong job.

Here's the evidence:

In 1957, 852 companies were surveyed on their use of tests. The companies ranged in size from those with 250 employees to giants with more than 75,000 employees. These companies were in all regions of the nation. The survey was made by the Bureau of Business Research of the University of Texas. The findings showed that 80% of the companies were using some sort of mental test to measure the capabilities of their new job applicants.

Ten years earlier, the same research organization had conducted

a similar study and found that only 57% of the nation's businesses were using psychological tests.

For instance, take the case of Pillsbury Mills in Minneapolis, which embarked on a selection program for first-line supervisors that included a short battery of tests. Last year, after a year of research, a Pillsbury official reported "our selection method to be practical and effective. . . . Our experience with the production supervisors selected through this means has, by and large, been satisfactory."

More need for brains

There are two chief reasons why more companies are making more extensive use of psychological tests to select and place people.

■ *First*, there's the need for more brainy employees. To stay competitive, companies now need larger numbers of managers, supervisors and staff specialists than they ever needed before. Equally important, the increasing numbers of non-production jobs require *specialized* brain power, not just pure mental superiority.

Consider this fact: between 1947 and 1957, the number of non-production employees leaped 52%

while production workers increased in number only 1%.

Equally significant is this fact, uncovered by Dr. Frederick Harbison, director of Princeton's Industrial Relations Department: over an eight-year period beginning in 1947, the size of the executive and supervisory work force increased in number by about one-third.

As a result, industrial executives such as John L. McCaffrey, chairman of International Harvester Co., recognize that the corporation head "is like a man confronted by an enormous tool bench who only hopes he can pick the right screw driver for a particular job." The forward-looking boss, grappling with the crucial and onerous task of making manpower decisions, welcomes yardsticks for the measurement of employee qualities — even though the measuring devices do not approach perfection.

For, as canny old Jonathan Ogden Armour, of Chicago's big meat packing house, declared before the turn of the 20th century: "The most valuable ability of all is the ability to select men of ability."

■ *Second*, as the need for specialized brain power has gone up, the cost of recruiting this talent has multiplied.

Esso Research & Engineering reports that it costs them \$1,600 for interviews at colleges and plants to hire just one technical man.

IBM reckons it spends between \$8,000 and \$10,000 on a computer salesman before he calls on his first customer.

In the face of costs like these, it becomes an economic necessity to eliminate mistakes in selection and placement.

That's why companies are using psychological tests.

For example, following the war, Sears, Roebuck started using tests to fatten its batting average for the hiring and placing of employees at all levels. Later Sears meticulously studied 199 men who had been promoted to supervisory positions, but whose test scores had not been used in boosting these men up the executive ladder. Five years after the original survey, Sears psychologists unlocked the tests, which showed a remarkable degree of correlation between test scores and job

performance. In fact, the Sears researchers made this conclusion on the basis of their study: "Predictions of a given division manager's eventual promotion or non-promotion solely on the basis of test results can be expected to be correct 67% of the time."

At the Carnation Co. in Los Angeles, a test battery designed to select safe milk truck drivers proved successful when high-scoring men had fewer accidents. The average cost of accidents for the lowest third of the drivers who took the tests was \$535; for all others it was \$375. The company has launched a policy of hiring with these results in mind.

Undeniably, the facts come down to this:

With a properly prepared and administered selection and counseling program, including the use of good tests, you can sharply reduce manpower recruiting costs. Further, you can eliminate the fourth-rate, belly-aching people who might otherwise be hired into your organization.

Tests aren't perfect

This is not to imply that tests, or any other personnel selection methods, are foolproof. Psychologists themselves admit tests are far from the never-erring Delphic Oracle some executives may wish to find.

Listen to these words by Prof. J. P. Guilford of UCLA, past president of the American Psychological Association:

➔ "No device, no method of assessing the traits of another person, including tests, is perfect. . . . There is some error in measuring even such simple things as . . . height and weight. . . . Tests are not as bad as their worst critics say they are. . . . In using test scores as information about individuals, mistakes are bound to occur. A number of mistakes, however, is not sufficient ground for complete rejection of a test or tests in general. We have to consider whether tests lead to as many mistakes as alternative methods. And do they add useful information that no other method provides?"

In companies where tests are used, it generally follows that the entire selection and placement pro-

How to select the tests you need

Once you have decided to use tests or at least to investigate their use, how do you select the specific tests that will fit your specific needs?

MANAGEMENT METHODS put the question to Science Research Associates, Inc. in Chicago, a psychological testing firm. Here is the down-to-earth answer that came back:

cedure takes on a more thorough, systematic, and democratic aura. In short, the objectivity of tests forces fairness in using other selection measurements. ADV

Tests have helped vanquish many of the old injustices such as cronyism and nepotism. It becomes increasingly difficult to plug for the hiring of a favored candidate if the cold facts show that he lacks the savvy and sensibility necessary to do the job. ADV

"Tests," observes Dr. Herbert H. Meyer, personnel research consultant for General Electric, "force management to define their manpower specifications more exactly and to think through the requirements of the job." ADV

➔ Another GE expert, Dr. G. Roy Fugal, adds: "Tests are only one of several useful tools for choosing and placing people. We still depend largely upon such conventional devices as reference checks, past performance, careful interviews and so forth. But tests may sharpen and point up decisions. They are more than just shortcuts to make executive selection easy."

Six ways to use tests

There are six major ways that you can use tests in your company

Buying a standardized test from a publishing house is just like buying a pair of shoes or a hat from a mail order company. The purchaser must first know what size and color he wants. Thus, the industrial test buyer must know what he wants to measure before he places an order for actual test materials.

Every reputable test maker recognizes this preliminary problem of test users. The testers, who abide by the professional dictums laid down by the American Psychological Association in describing and reporting their products, issue catalogs containing lengthy explanations of their tests. By detailing the uses and limitations of the often bewildering array of tests, the publishers are, in effect, saying: *Caveat emptor* — "Let the buyer beware."

Moreover, the test makers are very finicky about the people to whom they sell their tests. While some tests may be used by anyone in a business or industrial firm, there are others which can be sold only to qualified professionals — personnel experts with psychological training and experience.

The best source of information on test suppliers and publishers is the American Psychological Association, 1333 16th St., N.W., Washington 6, D. C.

to make better use of your people. Here they are:

1. To select and place job applicants.

■ You can improve your selection of even unskilled, uneducated workers by using the testing method.

Pope's Cafeterias, in St. Louis, is a perfect example. President Harry H. Pope frankly admits that before he embarked on a testing program he automatically assumed that a man in a dark blue suit and horn-rimmed glasses had more brain power than a man in blue denims and tousled hair.

"Much of the turnover and personnel problems of my kind of business," Pope says, "are the result of careless and casual methods of hiring. Practically all of us, consciously or subconsciously, attribute certain mental and emotional characteristics to various shapes of face, mannerisms, wearing apparel, accents, and so on. If nothing else, tests show up the false impressions you can form about a man when you interview him."

For President Pope, tests have become a profitable adjunct to his selection and placement methods. In his chain of cafeterias, he uses intelligence tests that require no

reading ability, plus a hand-and-eye dexterity test. Once selected, workers are classified by I.Q. level. Those with low intelligence scores get washing, peeling and mopping jobs; those with higher scores are trained as cashiers, cooks and supervisors.

Experienced interviewers agree that it is difficult, if not impossible, to assess a man's intellectual capacity by just talking to him. The interview becomes more meaningful, they say, when it is backed up with test findings.

2. To promote and re-assign employees.

■ Increasingly, companies are using tests to spotlight those employees who are promotable—or to double check a man's qualifications when it has been decided to move him up to a bigger job. Among the leading companies that follow this practice are Standard Oil in Indiana, IBM, Chrysler, and Detroit Edison. The tests they use measure specific skills and provide predictions of probable success or failure in the new job.

The management consulting firm of Booz, Allen & Hamilton once used a battery of tests to determine the promotability of 1,427 executives in 25 companies. The findings:

35% were promotable, 54% were satisfactory in their present jobs, and the remaining 11% were considered unpromotable. The findings also indicated which executives would respond to management development.

3. To select people for training.

■ Management development and employee training cost money. Training is profitable only if it is invested in the right people. How well you select people for training determines how much return you get on your investment.

Recognizing this, General Electric, for example, offers an engineering apprentice program for working high school graduates who pass a 3½-hour qualifying test. At Texas Instruments, aptitude classification tests are used together with an electrician's exam to select promising candidates for intensive training in electronics.

4. To audit your present manpower.

■ Many companies now make a regular inventory of their human assets as well as their physical assets. Tests are frequently used as a keystone in these manpower audits.

Companies like Proctor & Gamble and Armstrong Cork take stock of their people with varying combinations of aptitude, interest and personality tests. As a result, when the need for expansion occurs, they know exactly where to look for the people to be upgraded.

One engineering company has stored in punched cards an array of job and personal information, including the findings of tests administered to 3,000 employees, job applicants, and specialists they know about. At the flip of an IBM card, this company can locate a design engineer who exactly meets a specific set of job qualifications.

5. To guide personal and vocational counseling of employees.

■ Counseling and coaching are effective aspects of any employee relations program, and testing can frequently increase their effectiveness.

Employee problems are often camouflaged by what the employee says. Sometimes the true nature of the problem can be seen through the disguise, but sometimes it can't. When it can't, tests will often un-

(Continued on page 76)

Why forecasts fail

Forecasts commonly fail because the end use is not considered by the forecaster, or because the limitations are not considered by the decision makers. The facts and thoughtful examples given here will help you sharpen your decisions based on forecasts.

by James T. Jensen

Arthur D. Little, Inc., Cambridge, Mass.

Business forecasts often fail—unnecessarily.

If you examine the reasons why, you will probably discover new ways to use forecasts more profitably in your company.

Forecasts fail, after all, because the future is unknown. Unforeseen events may exert as much influence on the future course of your business as will those events that can be analyzed and predicted.

But a belief in the ultimate predictability of the future is a tantalizing one in our computer-conscious era. When a company commits its plans and capital to the whims of coming decades, no one can blame its management for hoping that the future is not completely unknown.

When has a forecast failed?

■ The problem of identifying failure in a forecast is not always a straightforward one. Since most forecasts are in numerical form, in a strict sense one fails when the specific forecast quantities are not realized. By this severe test, it is a rare forecast indeed that is a success.

A forecast, however, is usually not made as a mere academic exercise. It is usually designed to serve a purpose, and its most common purpose is to serve as a basis for

decision making. Thus a more realistic definition of forecast failure might be the later recognition that the policy indicated by the forecast is in error.

A chief cause of failure

■ One reason forecasts fail is that forecasters and decision makers don't quite understand each other.

If a forecast is to be judged by the policy decisions which flow from it, the important factors in the forecast which bear on decision must be available to the men who must decide. The fact that this is often not understood by management and forecasters is a key cause of failure.

This is simply another way of saying that the forecaster often does not understand the nature and significance of the decision which is to be based on his studies, and that the executive does not understand the premises, strengths, and weaknesses of the forecast when he makes his decision. The result is a forecast which is not suitable for the decision for which it is used.

When the doctor tells a young man that his wife will have her baby on December 19, he has made one of the oldest and commonest types of forecasts. This forecast is useful for planning budgets, making arrangements to have the up-

stairs room ready for the baby, and for many other things. It is obvious, however, that the estimate has been badly misused if the parents-to-be proceed to order predated birth announcements from the stationers. The limitations of this simple type of forecast are so well known that the mistake is obvious. Unfortunately it is seldom so obvious in the business world when managements make critical decisions on the basis of forecasts whose premises they have never bothered to learn and whose limitations they do not really know.

■ Another reason why forecasts frequently fail is that nearly all forecasting assignments place difficult non-statistical hurdles in the path of the forecaster. Every prem-

ABOUT THE AUTHOR

James T. Jensen received a chemical engineering degree at M.I.T. in 1950, then attended the Harvard Business School. He spent two years with the U. S. Air Force at Wright Patterson Air Force Base in Ohio, working with the USAF Quality Control Program for aviation gasoline, jet fuel, and aviation lubricants. He joined Arthur D. Little, Inc. in mid-1954 and has been engaged in technical economic studies of the petroleum, gas and chemical industries.

se or assumption which he makes to circumvent these hurdles becomes an important part of the logic of the forecast and a potential limitation of the forecast if its final conclusions are used to justify a decision where the premises may not be applicable. Unfortunately, if management has never made its specific intentions known to the forecaster, it is highly probable that key assumptions may be lost in the shuffle, and the forecast may appear valid where it really is not. This problem is a particular hazard to the dynamic executive who wants a number without an explanation or the fad-conscious management which has a forecast made for no better reason than that the competition uses one.

"Incorporating the new"

■ Specific problems which are non-statistical and require judgments and premises on the part of the forecaster are impossible to catalog in any organized way. Many of them might logically fall under the heading of "incorporating the new." Trying to predict the results of research, to foresee the success of pilot plant or prototype models, or to determine the ultimate acceptance of a newly introduced product—all fall into this category.

For example, a forecast of the future demand for gasoline must of necessity include a stated or implied premise concerning the possibilities of new types of automobile engines. To insist that the forecaster make a firm future projection without a hedge on this subject would be to ask him not only to predict the results of research in Detroit on gas turbine and free piston engines but to predict the decisions which automotive industry managements will make when they, themselves, study the results. The potential danger in such a situation occurs not from the forecaster's attempt to produce a best estimate of what will happen but from the possibility that the estimate may be accepted as an answer without a recognition of the risk involved. The availability of a forecast should never serve as an excuse for management's abdication of its judgment and decision.

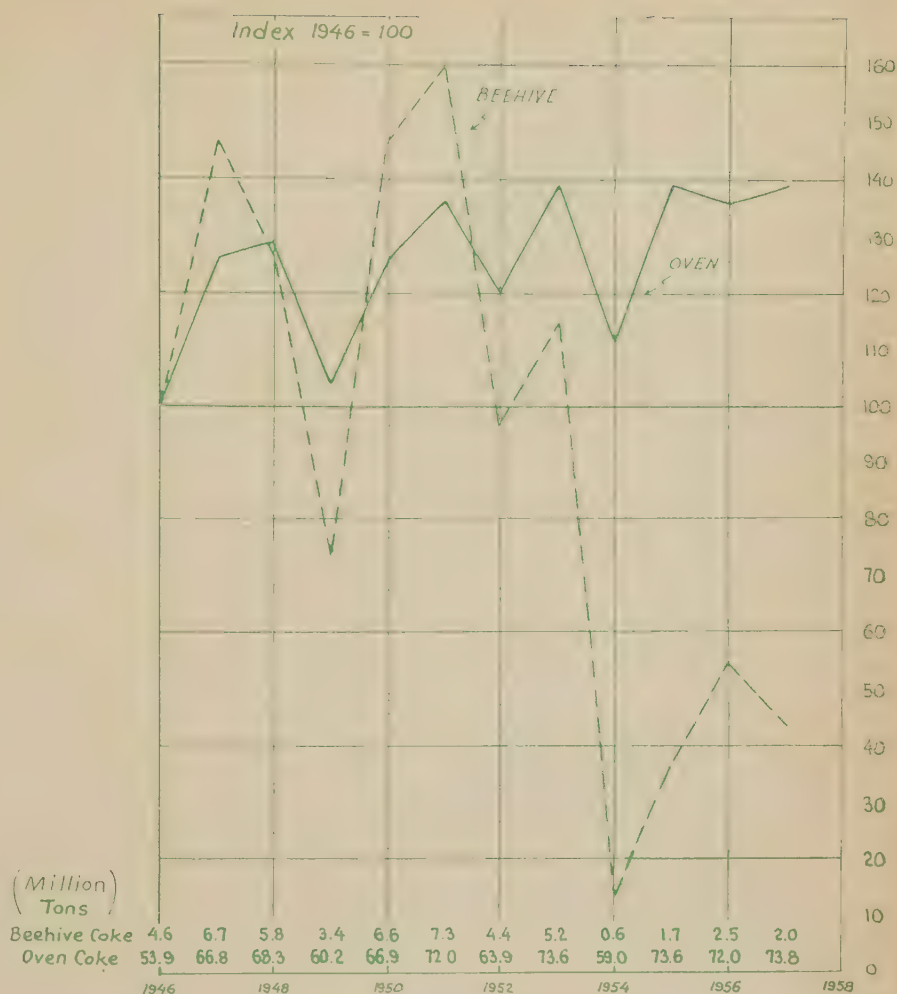


Figure 1. Comparison of beehive coke production with by-product oven coke.

A similar analysis problem confronts the forecaster whose job is to determine the relative growth of hydro, thermal, and nuclear electric power capacity in the country. The theoretical estimates of nuclear power economics are legion, but until the construction of the first commercial prototype plants in the last year or so, no commercial plant experience has been available to test theoretical cost estimates. The demonstration in these plants of better economics than had been anticipated would obviously serve as a tremendous stimulus to more plant construction. Conversely, a failure of these plants to live up to expectations could exert a significant retardant effect on nuclear growth. Forecasts of the future in this field must obviously have a fairly broad uncertainty band.

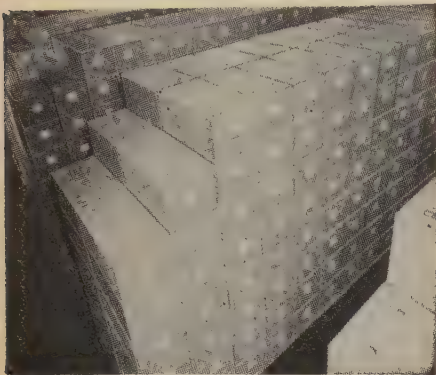
A third problem in incorporating the new occurs principally in the

field of consumer goods when the acceptance of a new product is being tested. Several years ago, the demand for butyl synthetic rubber, which was chiefly used in inner tubes, was vitally affected by public acceptance of tubeless tires. A projection of butyl demand at this point again involved substantial hazards.

Other people's decisions

■ In some cases the problem has elements of uncertainty inherent in it that are basic and have nothing to do with new developments. This is often the case when the course of future demand is more likely to be influenced by individual corporate decisions than by over-all statistical trends. If a company's product is tied to the growth of the steel industry, it will probably be easier for a forecaster to develop growth projections for the country as a

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Figure 2. Growth of California thermal electric generation compared to total generation.

whole than to try to predict growth in a specific geographic area where one company's decision to expand can cause a discontinuous jump in capacity of 30% or 40%.

A problem of a similar nature arises in forecasting the growth of commercial jet transport at this period since it involves forecasting not only the total demand for air travel but also predicting how far a limited number of airline managements will decide to go in retiring conventional equipment in favor of the newer types. Many of these decisions may ultimately be forced by competitive considerations and may differ widely from what these managements will tell you today that they have decided.

Unpredictability, whether it results from the new or from the non-statistical character of individual actions, need not defeat a forecast provided it is recognized as a factor and tested for the amount of uncertainty which it represents. In the

previously mentioned forecast of gasoline demand, the uncertainty caused by the possible introduction of automotive gas turbines might not have a particularly serious quantitative effect if the forecaster could satisfy himself that fuel consumption in the turbine would not be far different from that of the conventional automotive engine. It would have a drastic effect on fuel quality since the engine would not require an "octane" type of fuel. Thus, forecast-based decisions which concern quantities might be expected to be less affected by an upset in this forecast premise than those which concern quality. There would be somewhat less risk in setting capital budgets for crude oil exploration and development, for example, than there would be for planning refinery process modernization.

If the corporate decision is found to be sensitive to a particular premise, the forecaster can then con-

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centrate on defining the magnitude of the uncertainty and the probable risk involved. Often it is possible to set limits on the uncertainty by assuming it to follow several conceivable patterns and observing its effect on the forecasts. If the maximum conceivable change in specific fuel consumption which the forecaster can envision for the new type of automobile engine is 10%, he can estimate how much and how fast the introduction of this equipment might affect his projections by estimating the rate at which the innovation might saturate the market. If he is still safe with his estimated plus or minus uncertainty by the time the decision will be effective, the premise is probably not a troublesome one. If not, then the decision may have to be undertaken anyway but with a knowledge, at least, of the risks involved.

Sensitivity and leverage

■ Two similar and perplexing problems which the forecaster sometimes encounters are forecast sensitivity and leverage. In both cases the forecast quantity may be subject to wide changes because of the stimulus of relatively small changes in foreseeable over-all demand.

The sensitive function is somewhat analogous to the output of an electronic amplifier; a small change in the input signal (or over-all demand) is magnified several times in the fluctuation of output which is, in this analogy, the product demand function. Sensitive products are usually those which occupy an alternate or secondary status with respect to a competitive product.

An example of such a product is beehive coke—coke made in low investment ovens without by-product recovery facilities. Normal oven coke supplies the bulk of the needs of the industry, but when demand is high the beehive ovens operate to fill in the gap. Conversely when demand is slack the beehive ovens suffer relatively more severe cutbacks than the by-product ovens. While basic trends are apparent in the relative importance of the two oven types, the very erratic nature of beehive coke is a continuing factor. This sensitivity pattern is illustrated in *Figure 1*.

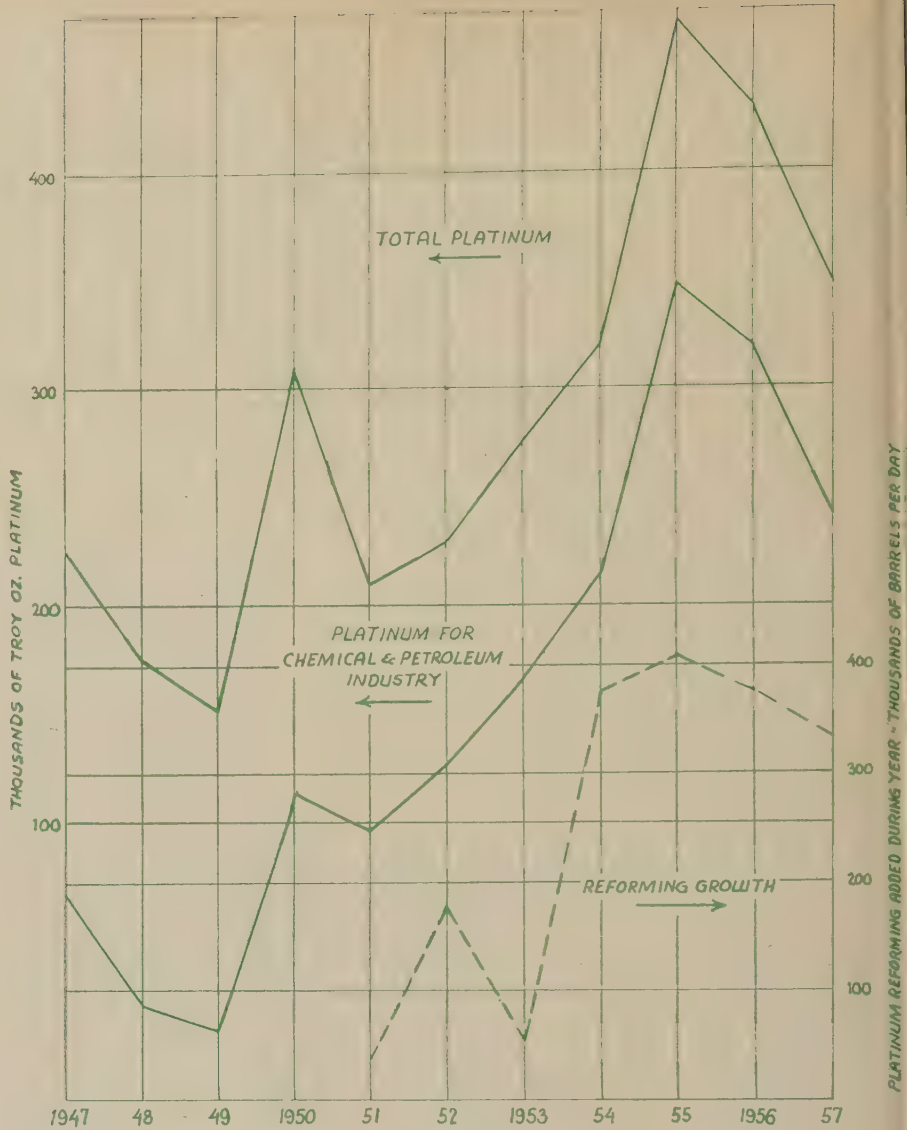


Figure 3. Comparison of platinum consumption with addition of petroleum platinum reforming capacity.

Sensitivity often results from the competitive interplay of a high investment, low operating cost product which is an alternative to a high operating cost, low investment product. In times of slack demand, the high operating cost product bears the brunt of the cutback and is then sensitive to small fluctuations in the total. In forecasting such a demand, the average trend line may be important but for many decisions it may be of more value to management to know that the demand is necessarily erratic and cannot be relied on.

Leverage is a similar phenomenon but one which probably is better understood in financial circles than in forecasting ones. In finance it refers to the financing of moder-

ately growing ventures with a large proportion of debt capital and a small proportion of equity. When the project does begin to make money and the earnings are great enough to cover the debt service, all incremental earnings growth accrues to the small equity base. The rate of increase of the equity portion can be fantastic.

When it occurs in product demand, the leverage concept is quite similar. A large but relatively inflexible source of supply shares the market with a small but flexible one. A modest per cent of total market gain can be a spectacular increase when it all accrues to the small, but flexible, source of supply. An ideal example of this phenomenon in practice is the growth of

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steam electric power generation in California since World War II. Total electric power requirements for the state increased nearly 2½ times between 1945 and 1956. Hydroelectric power, which in 1945 supplied 86% of the state's requirements, was unable to keep up with the growth in demand, however, so that much of the increase was supplied by thermal generation. As is shown in Figure 2 this leverage effect multiplied steam-electric power generation in California by nearly nine times in the 11-year period.

Leverage is an important effect for a forecaster to discover. For the youthful industry or product at the start of a leverage curve it represents great opportunities, particularly to those companies which can see it coming. It can, however, be a pitfall to managements who come to accept the leverage growth rate as a norm and are not alert to the fact that the product must slow down as soon as it becomes a substantial factor in its own industry.

The problem of recognizing leaner days ahead is often a difficult one for forecaster and management alike. The temptation to believe that growth in an industry is normal can often cloud the recognition that much of the growth may be at the expense of an untapped market or a competitive product. Logic would indicate that many products have a saturation point and that sales growth during a period when the product is expanding into an untapped market might be greater than when the market is composed principally of replacement sales. But when sales are going up rapidly, management often can forget this logic.

A rather compressed example of saturation occurred recently in the sales of platinum to the petroleum industry. A new process, platinum reforming, which required large quantities of a platinum-containing catalyst, became important in the early 1950's. Demand for and price of platinum in the U.S. rose rapidly over a short period of time as refiners rushed to install the process. But as nearly all major refineries became equipped to process that portion of crude oil which can uti-



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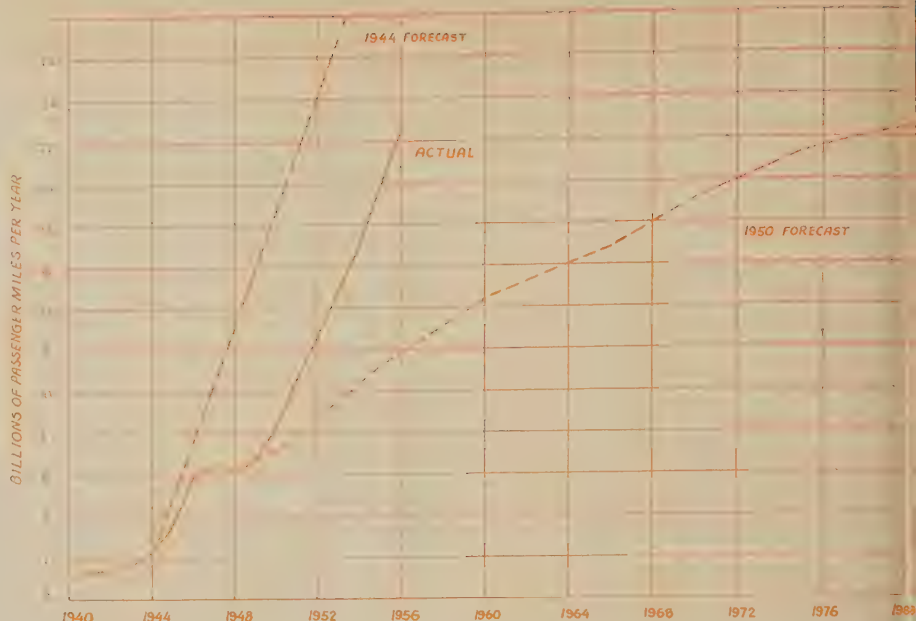


Figure 4. Two forecasts of commercial air travel by the same organization compared with actual experience.

lize reforming, construction of new reforming units tapered off more nearly to the normal growth of the industry. Since catalyst replacement is accompanied by platinum recovery, sales of new metal dropped somewhat. It would have taken a courageous forecaster in 1955 to predict the decline, but he would have been correct. This is made clear in *Figure 3* which shows the sales of platinum to the chemical (including petroleum) industry compared with growth of platinum reforming.

Saturation, however, can be easily overestimated; the fact that forecasters are often accused of conservatism possibly indicates that they are often too quick to believe in impending saturation. Where saturation is indicated in a forecast, it should be well explained; the judgements pointing toward it are often a source of forecast failure.

More complex methods

■ Complex statistical approaches to the problems of forecasting have become increasingly popular in recent years with the wider availability of statistical series, the broader understanding among forecasters of the mathematical techniques that can handle them, and the availability of computers to do many of the complex calculations. Their widespread use presents still another

type of problem to forecast-based decision making. As the forecasting techniques become more complex, the job of assessing forecast strengths and weaknesses becomes much more difficult for management. The key premises on which the strengths and weaknesses of the forecast depend are usually much more obscure to management and often even to the forecaster. There is danger in this approach of being lulled into a mechanistic attitude toward forecasting—that is, into the belief that the scientific precision of the mathematics that are used to derive the forecast somehow or other rub off onto the premises that are put into it, and the answer must therefore be valid. There is sometimes a strong temptation to believe that because a function has shown a high degree of statistical correlation with economic indicators in a past experience period, the cause and effect relationship is fundamental and must continue forever.

An illustration of the trap which this tempting idea represents is provided by some early calculations of a forecast in which several of our group members participated. A good degree of correlation had been obtained for the growth of automobile population in an area with personal income in constant dollars. When personal income was projected 20 years into the future (no

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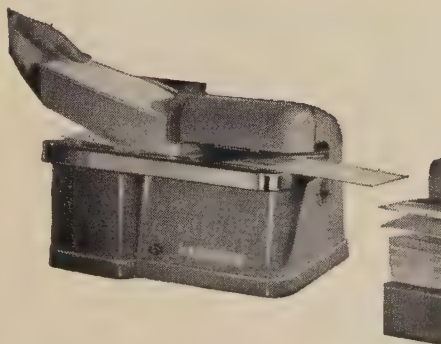
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easy task in itself) and the correlation was applied, the statistician found to his horror that he had developed an automobile population which provided slightly more than one car for each and every man, woman, and child in the area. While some may be inclined to believe in future five- and six-car families, there is perhaps somewhat more basis for believing that the relationship between income and automobiles, which held in this short past period, may alter in the future, and we may divert our spending efforts in part to hi-fi sets, helicopters, or houses in the country.

This then is the forecast trap. The premises in this technique are that relationships which appear to exist in the present will continue and they will not be overridden by the action of some new relationship which suddenly becomes controlling. Since these relationships are seldom direct and obvious ones, the testing of these premises requires a considerable amount of judgment on the part of management and the forecaster. If managements choose to abdicate their power to judge, either because they are overawed by the mathematics and the jargon or because they simply don't understand it, the entire burden falls on the forecaster. For such a forecaster, mere technical proficiency in the handling of statistics is not enough; if he does not also understand the nature of his product and have a great deal of common sense, he can be dangerous.

One of the cardinal rules of statistics is that the more information one attempts to glean from a set of statistics, the more data he must have to maintain his accuracy. It is in this area that the forecaster often runs into his most frustrating problems. In analyzing a complex product demand, he needs good data and he needs a lot of it. The multiple regression technique is a valuable one for determining the statistical relationship between a number of potential causative variables and the product demand. But if the statistical series is short, undergoes a change of basis, or is fundamentally inaccurate, the forecaster may only be deceiving himself when he relates his variables to the product in question. While we have made

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great strides in recent years in the amount of data which we collect, we have not yet attained perfection. And much of that which we collect today often goes back in time only a few years. Any forecaster who has tried to reconcile variation between two statistical series purporting to represent the same thing, has struggled with a product series which undergoes a sharp discontinuity because the collecting organization changed its basis, or tried to compare geographic data based on Census areas, Federal Power Commission supply areas, and Petroleum Administration for Defense districts knows the problems which this can lead to. When regression techniques run astray, it is seldom the mathematics which are at fault; often it is the fault of an inadequate statistical base. Here again, the forecaster cannot afford to be mechanical. He must understand the sources and limitations of his statistics and not try to make them reach too far.

The temper of the times

■ There is one additional forecasting precaution which is sometimes difficult to observe. This is the necessity for the forecaster to avoid being carried away by the temper of the times. Since forecasts usually have so many judgments as an inherent part of their framework, the forecaster has more opportunity to inject optimism or pessimism into his premises than perhaps he realizes. If his industry is prone to enthusiasm in good times and gloomy conservatism in bad times, he may find it difficult indeed to gain acceptance for a forecast that runs counter to the current trend of management thinking. There is probably a high correlation between overoptimism or overpessimism in forecasts and the rate of increase (or decrease) in Gross National Product.

A series of past commercial air travel forecasts, which perhaps illustrates this problem, appeared recently in one of the aviation journals. In 1944, one leading organization that is concerned with air travel projected total commercial aviation passenger miles for 1955. In 1950, they published a sec-

*Zone 2: Texas and 11 western states

(Circle number 122 for more information)

and forecast for 1955 through 1980. While it may be doing the organization an injustice to draw conclusions about the forecasts without knowing anything more about them, it is tempting to wonder if the conservatism shown by the forecasters in 1950 was a reaction to the over-optimism of the 1944 projection. The two forecasts, together with actual passenger mile experience, are shown in Figure 4.

At times there seems to be an almost perverse relationship between the difficulty of making a forecast free of uncertainties and the general usefulness of the forecast to management. When product growth is proceeding smoothly, trends are consistent, and upsetting factors are absent, the forecaster is best able to project the future with confidence; this, however, is often the time when management is the least challenged and makes the fewest mistakes with or without forecasting. It is during such times that the forecast, while academically the most satisfying, is the least vital to the decision-making function. Conversely, in periods of uncertainty, when forecasting is most likely to be upset by unpredictables, the management that has a somewhat better idea of the future than its competitors stands to gain by wise decision making.

That the tone of this discussion has been negative has been meant as no fundamental criticism of the technique of forecasting, itself. It is rather a criticism of the short-sightedness which cripples effective forecasting and forecast utilization—of unthinking mechanism, of inadequate integration between forecast and decision, and of the lack of understanding that the uncertainties, well defined, may be as important as the answer itself. A forecast should not be a sterile document suitable only for illustrating company annual reports. It must be an intelligent estimate of the future based on available statistics and reasoned judgments that can be brought to bear on specific management problems. If it improves management's ability to make wise business decisions, the forecast has not failed no matter what the numbers say. ■

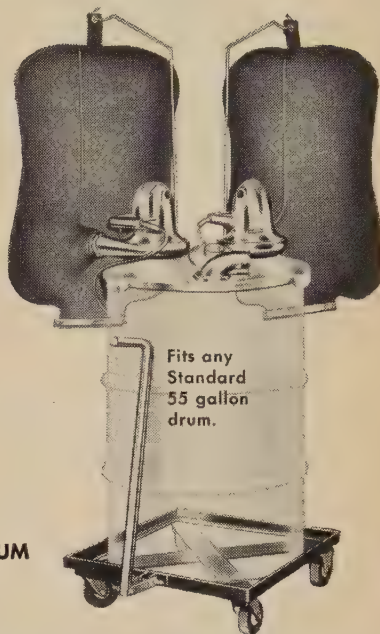
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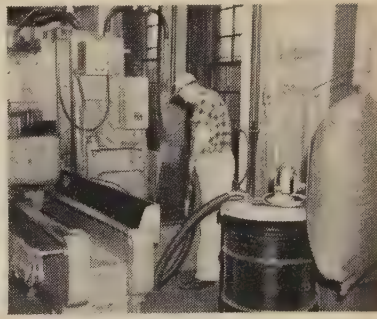


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15

ways to develop managers



Here is a review of 15 practical ways to develop the management skill of people at all levels in your company. These methods are used by some of the country's leading firms. Even if you can't apply any of these specific ideas, this article will cause you to think of lots of others.

by Robert D. Hulme

Think for 10 minutes about the methods your company uses to develop management skill in its people.

Chances are these methods could be improved right now with little or no extra effort or cost.

Here, based on a recent study, are 15 methods that get good results in companies of all kinds.

1 DECENTRALIZE YOUR MANAGEMENT

People learn management best by managing.

One way to develop managers through on-the-job training is to decentralize your management

functions. This is not the geographic decentralization found in many centrally-oriented companies, but the channeling down of responsibility and authority to the lower levels in the organization.

The more decentralized your management becomes, the greater the number of people who have the opportunity to learn by managing.

To operate efficiently, this development method assumes that only qualified men are given managerial responsibility and that they receive guidance from their superiors.

It can help, however, if you encourage individual initiative, rather than complete dependence on the man above.

2 CREATE "TASK FORCES"

Special committees or "task forces" can be training grounds for the inexperienced manager.

Set up to meet specific, non-recurring problems, "task forces" give men a crack at problem solving and decision making, without giving them full responsibility for the outcome.

Through observation of their decisions, you get a chance to evaluate future managers on their ability to think and act constructively in a group situation.

Some committees are permanent parts of organization—salary committee, executive committee, fi-

nance committee—usually with senior officers assigned ex-officio. These are probably of less value as training grounds than the lower level committees where inexperienced managers may be rotated.

If particularly good managers are on the committee with the less experienced employees, the benefit to the inexperienced men is multiplied.

Do these committees take too much valuable time? Not according to the experience of Smith Kline and French Laboratories. Executives there report that the possible lost time in meetings is more than made up through "...highly successful operations."

3 ESTABLISH OBSERVATION POSTS

Many men learn management by observation of skilled managers.

Assistant-to positions are good observation posts for future managers.

Unlike the assistant who generally possesses authority in the name of his superior, the assistant-to is in a staff relationship to his senior. He has no authority to act in the name of anyone but himself.

Companies that have assistant-to positions usually use them as advisory and/or administrative roles. Men holding these positions are close enough to their superiors to observe, and sometimes participate in the management function, usually at a high level in the organization.

This job often becomes an opportunity for practical lessons in top management activity.

Like an aide-de-camp in the military, the assistant-to position in industry is usually reserved for promising but inexperienced young men who carry no responsibility for action.

4 ARRANGE FOR SPECIALIZED INSTRUCTION

University (or professional association) courses provide theory as well as practice in management.

Here are four advantages these courses have over other types of management development methods:

- Complete detachment from work.
- Close association with men from other firms and industries.
- Pure academic environment.
- Economy of group efforts.

Most business schools have a sufficient variety of courses to fit the individual developmental needs of almost every segment of management and every type of manager. To find out what kinds of courses are available to you, simply send for the business college catalogs of several universities.

In-company courses, on the other hand, have one advantage that the university cannot duplicate. They can be tailored to meet the specific requirements of the company and the group under instruction.

For instance, Shell Oil Co.'s four-week management courses are flexible enough to spotlight and solve any management problems that may arise from time to time within the company.

Some firms run their in-company programs on company time. Others report that a good measure of a man's interest in self-development is to run a company course on his personal time. His degree of participation indicates his amount of interest.

If you are planning in-company training courses, consider the variety of methods for instruction: conferences, lectures, demonstrations,

role-playing in dummy situations, case studies, panels and committee work.

5 ORGANIZE A JUNIOR BOARD OF DIRECTORS

A young man acting as a company director can get valuable experience in top level managing.

Besides acting as a training ground for promising managers, a junior board of directors can undertake specific projects which may benefit the company.

Here's how one major firm sets up a junior board of directors:

The president appoints a group of younger managers to assume the roles of members of the corporate board. Just like the senior board, they develop and review policy, evaluate the progress of the firm, recommend organization changes, and the like.

The junior board has no power or authority. It affects the direction of the firm only to the extent that it offers worthwhile and acceptable suggestions to the senior board.

Members of the junior board serve a limited term and are often rated on their effectiveness by co-board members. In some cases, this rating determines who stays and who is replaced.

Here are four specific benefits your company can receive from a junior board:

- Critical review of your company policy.
- Suggestions for company operations.
- Conditioned candidates for your senior board.
- Discovery of overlooked but competent men.

First used by McCormick & Co. 27 years ago, this form of multiple management is now used by over 500 firms.

6 PINPOINT STRATEGIC JOBS

Certain jobs in your organization are good grounds for executive grooming.



ABOUT THE AUTHOR

Robert D. Hulme is a training supervisor for the Sun Oil Co. in Philadelphia. He is responsible for setting up programs in employee training and management development. He holds an MBA and is completing work on a PhD in business organization and operations. He has been a lecturer at Temple University for four years.

Because these jobs offer the men who hold them unusual opportunity for self-development, it's to your advantage to locate them and use them to give managers on-the-job practice.

Answers to these questions will help you recognize a strategic development job:

- Is there a chance to exercise leadership?
- Is there opportunity to solve difficult problems?
- Is there contact with high level personnel inside and outside of your organization?
- Are there key decisions to make, recommend or carry out?

Most companies that use this method keep a man in a strategic position until he develops proficiency for more difficult or responsible jobs.

7 PLAN JOB ROTATIONS

A common method used to give a manager broad experience is to shift him from one job to another. The "trainee" (although he may not always be identified as such) may spend anywhere from a week

to more than a year working in a particular assignment.

At the lower levels where there can be a constant turnover, these jobs are often earmarked as training positions. They are usually available only to persons being prepared for advancement.

A mid-western bottling firm uses this process of rotation in its higher management levels. It is not so obvious as the rotation of recent college graduate trainees, but the same benefits of exposure to the total operation are gained.

Planned job rotations imply that persons temporarily holding a job are responsible for performance. The temporary nature of the job should not exempt trainees from work or accountability for their actions.

Several companies use a variation of the planned job rotation—observation assignments. Here the trainee looks over the shoulder of a permanently assigned employee. He learns by watching rather than by doing.

Bethlehem Steel built its "loop course" for college graduate trainees on the principle of rotational assignment. Company officials say the program has resulted in a deep

core of management talent thoroughly familiar with the total Bethlehem operation.

8 ENLARGE JOB SCOPE

Committees, job rotations, junior boards, strategic assignments—these all add to a manager's experience.

You can also develop a manager without taking him outside his present job.

One way to do it is to enlarge the responsibilities of his job. Many companies use this method to energize jobs which seem to be growing static.

Attention to the content of a particular job has a double utility. It contributes to the growth of the manager by giving him experience in handling a broader range of duties and heavier responsibility. It also redirects emphasis from advancement through promotion to advancement within a growing job.

The latter utility is useful in keeping incentives high—particularly if yours is a company with limited room at the top and it is clear that all qualified men cannot make president.

HOW TO "GROW" MANAGERS IN YOUR OWN COMPANY

Select the right men, give them adequate counseling and make your company fertile soil for the growth of managerial talent.

SELECTION: To choose the right men for management development is as important as the methods you use to develop them. The best development methods used on the wrong person will be relatively fruitless. The selection of inferior people can damage the incentive of those who are really qualified.

COUNSELING: Most companies agree that a manager develops fastest when he receives guidance and counsel from his superior. The superior can evaluate his performance, bring weaknesses to his attention, and exchange ideas with him on an informal basis. An experienced manager can warn his subordinates of pitfalls. Through close cooperation, the superior

can coach his "student" in the intricacies of his own job.

MAKE ROOM FOR GROWTH: Men strive for the top only when they know there is room for them. Many companies that want to keep top positions available to promising managers take one or more of these three actions:

Fix a retirement age.

Move older but vigorous executives into consulting or advisory capacities.

Create new, more responsible jobs near the top for rising managers.

Though some firms oppose fixed retirement ages, an argument for mandatory retirements comes from the actual experience of a large insurance company. In its "work as long as you like days," it had a 90 year old division head whose heir apparent was 75.

9 SET UP "FARM SYSTEMS"

If your company has subsidiaries or branch operations, don't overlook the possibilities they hold as training grounds for future managers.

You can develop men for a large scale job in your parent company by giving them a similar but smaller scale job in one of your branches.

A southwestern oil company reports another advantage of placing young managers in branch offices. They are able to maintain a uniformity of "family characteristics" by training a man in company operations at the main office, then "farming" him out for experience to a regional office.

This shifting from parent to branch is also a good way to instill your company's policies in a newly acquired subsidiary—or in any branch.

10 ENCOURAGE PARTICIPATION IN COMMUNITY AFFAIRS

It's to your company's advantage to promote participation in civic activities.

Managers get valuable experience in group leadership, planning and administration when they hold key positions in church, civic, fraternal or professional groups.

Management engineers say there is a direct carry-over from non-business to business for much of the management practice received in these voluntary or elective posts.

Some companies that make overt efforts to encourage young managers to join community organizations say they do it partially for prestige, but largely to aid in management development.

11 ASSIGN, DISCUSS BUSINESS LITERATURE

An informed manager is valuable to a fast moving company.

Business literature — magazines, books, periodicals — can acquaint your managers with experience they might never get in their jobs. A manager who reads business literature regularly is also aware

of the latest advances in management and industry.

One way to encourage outside reading among future managers is to give them subscriptions to several business and management publications.

To get maximum benefit from this reading, some companies hold meetings where readings are discussed.

This development method assumes a high level of motivation for self-development on the employee's part and a sincere interest by the superior in his subordinate's growth and development.

12 BUILD ABILITY WITH SPECIAL ASSIGNMENTS

An eastern insurance company gives its managers short, special tasks in addition to their regular duties to develop their ability and versatility.

Company officers report these advantages:

The manager has the chance to expand his experience.

Company officials have the opportunity to evaluate a man's ability to assume a broader load under pressure or unfamiliar circumstances.

The company takes care not to weaken the effectiveness of the employee's primary responsibility. It finds, however, that most conscientious managers can take a temporary expansion of their duties at no cost to their regular work and little or no expense in personal time.

13 INCREASE INCENTIVE WITH PROMOTIONS

Most men try to develop themselves as quickly as possible if they know it will advance their positions.

A simple statement, but too many companies stifle interest in self-development with weak promotion policies.

Management consultants say that a recognizable policy of promotion based on a man's contribution and worth to a company is invaluable in developing professionalism in the management ranks.

They say poor promotion policies are usually based on the following: "tenure," "politics," "personality," "connections" and the like.

14 INVENTORY YOUR PERSONNEL

Westinghouse Electric Corp. finds much of its managerial talent by checking periodically their human resources in every division of the company.

Executives at Westinghouse say that their regular centralized inventory procedure inspires confidence in all managers that, regardless of location, they will be fully considered for any position demanding their qualifications.

This, they report, keeps incentives high.

Periodic checks of managerial performance records can decrease the possibility of overlooking talent within your company. It assures the placement of the highest qualified men in your job openings—men who are familiar with your company's operation.

15 DEVELOP STRONG "SECOND TEAMS"

A football team wouldn't be very effective without men to back up the first team.

It's the same with your company.

Acquaint two or more men with the details and duties of each key post. Let them work with the manager on the "first team."

Standard Oil of New Jersey, one company that uses this development method, says that qualified men are always ready to step in if the "first team" manager leaves.

As in committee work and planned job rotations, inexperienced managers can learn much from working with their immediate superiors. Through practice and observation, subsequent layers of managers are better prepared for their ultimate responsibility.

A strong management team does not develop automatically. It takes conscious effort on your part to build the men who will one day take your place. ■



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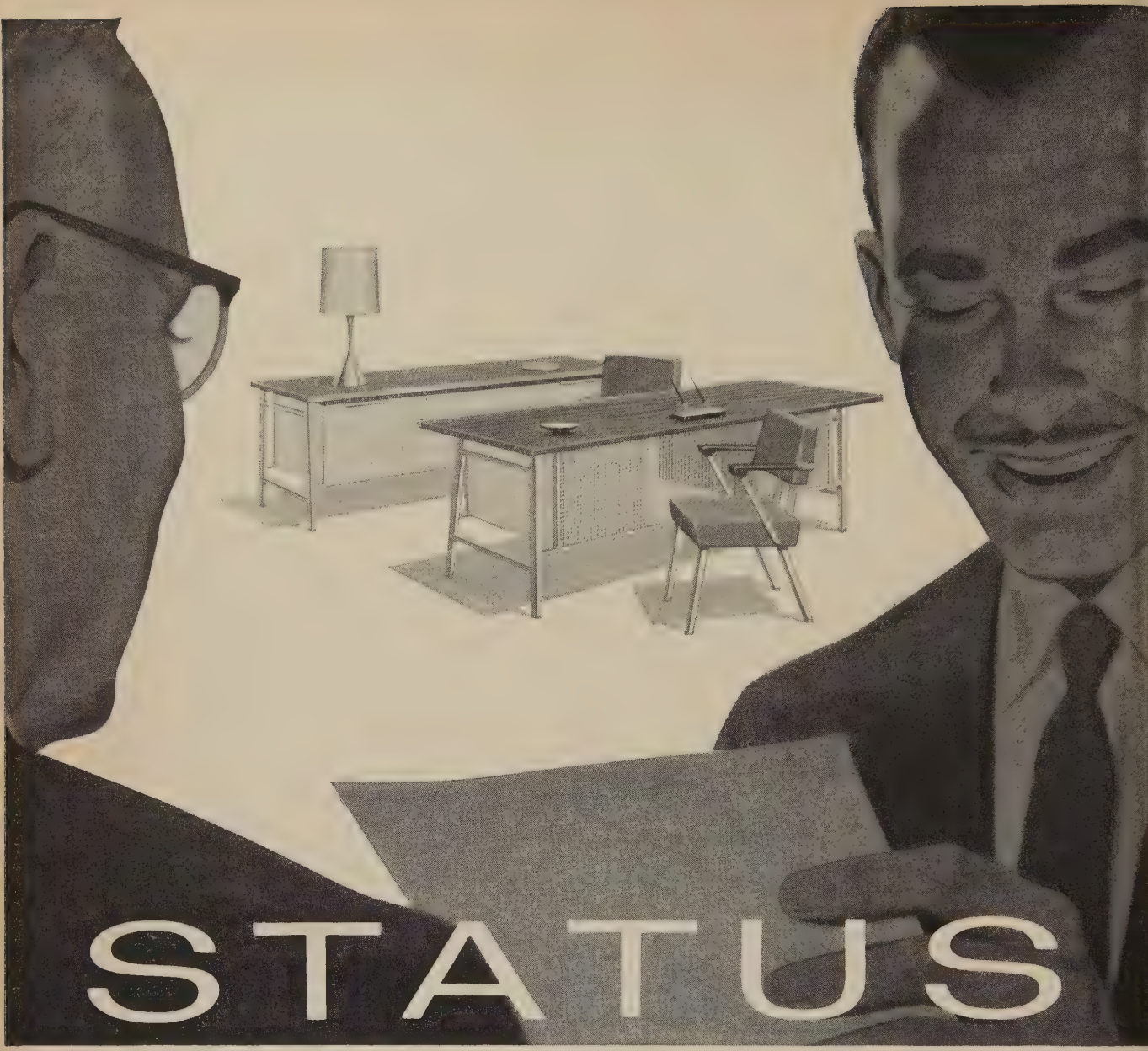
Management Methods *is that kind of magazine. Its pages are fertile with ideas covering useful and productive methods of business administration."*

D. J. Pastorelle is vice president of The County Trust Co., White Plains, N. Y.

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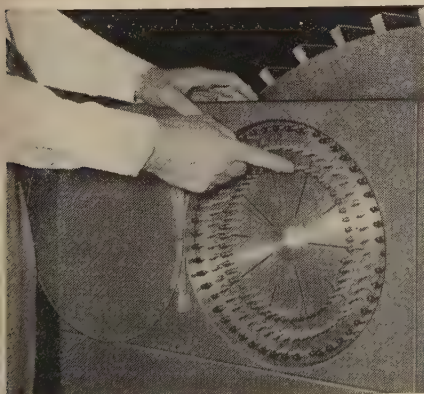
Fully automatic collation of up to 25,000 sheets per hour is possible with the new Rotomatic just introduced by Thomas Collator Industries, Inc.

With 50 stations, it can collate that many sheets at once—or as few as two. Easily and rapidly loaded, three or more separate jobs can be run simultaneously if the total number of sheets doesn't exceed 50.

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intentionally and that only one sheet passes through at a time.

Just seven feet long, three feet wide and four feet high, the Rotomatic uses only 17½ square feet. All controls are within an arm's length of the operator.

This collator requires no special training. It can be operated at peak efficiency with only a few hours of orientation, says the manufacturer.

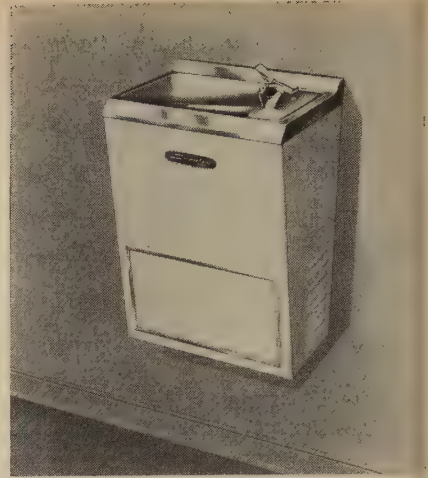
For more details on this time-saving Rotomatic collator, circle number 256 on the Reader Service Card.

New water cooler can be wall mounted

A compact electric water cooler that can be wall mounted is being marketed by Cordley & Hayes. It can be hung flush or recessed in the wall. There are no exposed brackets or plumbing.

The unit is finished in gray with a stainless steel top. It measures just 24 inches by 15¾ inches wide. The depth tapers from 13 inches to nine inches at the bottom.

The cooler is equipped with a



Water cooling capacity of compact wall model is 13 gallons per hour.

bubbler and a glass filler can be added without removing the top plate.

For more details on this wall type cooler, circle number 255 on the Reader Service Card.

Magnetic dictators announced by 3M

Magnetic dictation units for travel and office use have been introduced by Minnesota Mining and Manufacturing Co.

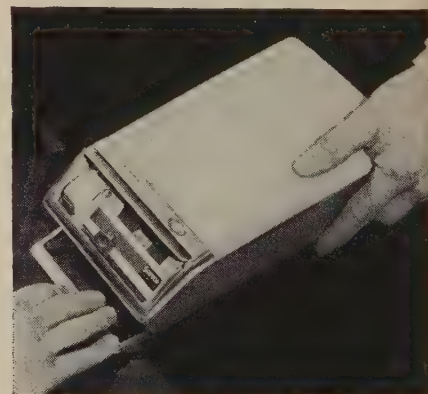
The four-pound portable "Deputy" dictator costs \$305. Its office companion, eight-pound "Dean" unit, is priced at \$335.

Both machines use Scotch brand magnetic dictation belts of video tape which, the firm states, provide exceptional fidelity.

Belts are easily mailed in small No. 6 envelopes usually found in hotels. Each belt allows 15-minute recording and can be re-used thousands of times.

Both portable and office models have retractable microphones and push-button index log.

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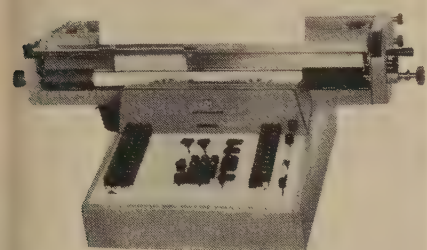
back through earphones, microphone or speaker. The microphone on the office model can be used in its cradle, leaving both hands free.

For further information on these magnetic dictating units, circle number 254 on the Reader Service Card.

New model accounting machine announced

Latest entry in the large accounting machine field is the Account-Master, designed by Underwood Corp., adaptable to all accounting systems.

Special models of this new machine are available for cycle billing,



Features of Account-Master make it adaptable to all accounting systems.

credit union accounting and other applications.

The Account-Master features subtraction in all registers, 10-key input keyboard, full keyboard date and up to 46 descriptive characters. The machine also has keyboard program control and an auxiliary program control operated automatically or manually.

The modern case is finished in gray and blue. Price ranges from \$2,350 to \$5,000, depending on the model.

For more details on the Underwood Account-Master, circle number 253 on the Reader Service Card.

Microfilm camera shoots 83 feet of copy a minute

For on-the-spot microfilming of records, the Flofilm Division of Diebold, Inc. announces a new portable camera. It weighs less than 20 pounds and measures 13 $\frac{1}{4}$ by 12 $\frac{3}{4}$ by 5 $\frac{1}{2}$ inches.

The Flofilm 9600 camera will film 83 feet of copy per minute at an average cost of one-sixth of a cent per document.

Features include choice of three

density control positions for clear reproduction, automatic shut-off and electronic spacing control between images.

An attachment is supplied for microfilming rolled or folded continuous forms.

The camera handles material up to 11 $\frac{1}{2}$ inches wide, up to one-eighth inch thick, by any length. Stapled, folded or rumpled papers are filmed as easily as flat fresh pages.

Complete with carrying case and

continuous form attachment, the portable microfilm camera is priced at \$750.

For more details of the Flofilm camera, circle number 252 on the Reader Service Card.

PLANT LAYOUT

Machine models in 3-D for efficient plant layout

Three-dimensional plant layout models are now available in do-it-



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Do-it-yourself kit contains
scaled-to-size machine models.

yourself kits created by Scott Industries, Inc.

These kits include all types of machine tools and office equipment scaled to size. In addition, Scott offers thousands of extra parts, such as pipe, fittings and motors, to effectively solve plant layout problems.

For details about these assemble-it-yourself kits, circle number 251 on the Reader Service Card.

LEASING

Leasing of facilities is gradually increasing

A survey of 221 manufacturers shows that the practice of leasing plants and equipment is on the up trend.

Seventy-one of the firms questioned by the National Industrial Conference Board are now renting more facilities than they did five years ago. Only seven firms report a decrease in the extent of their rental programs.

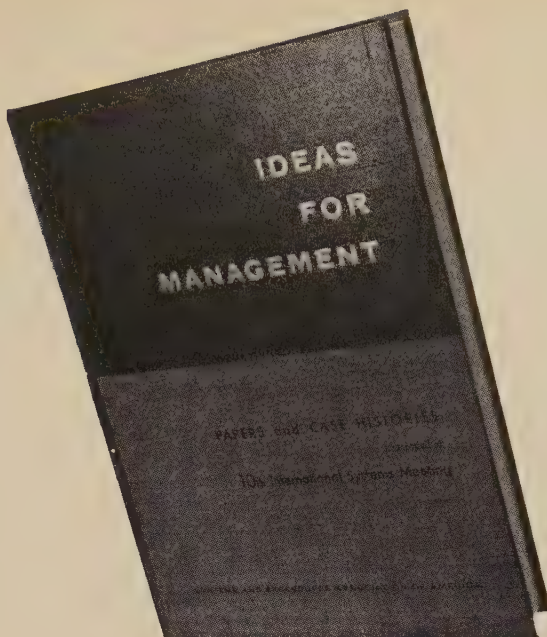
Car and truck rentals show the greatest gain in the past five years. Although leasing of machine tools and machinery is up, this still represents a minor portion of the leasing volume.

Respondents stated rental is not always the cheapest way of acquiring facilities. Primary reason for leasing, rather than outright purchase, is conservation of capital. Other reasons given were tax savings, convenience and avoidance of maintenance and obsolescence.

Deterrents to leasing are relatively high rentals, liberalization of depreciation allowances on owned property and uncertainty of potential tax benefits under certain rental agreements, the National Industrial Conference Board reports.

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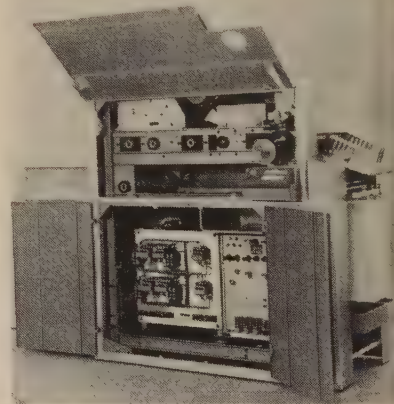
Business electronics

New printer transmits records at computer pace

A revolutionary process, developed by A. B. Dick Co., combines instant on-the-spot copying with instant transmission of printed data thousands of miles away.

The scanning, translating, editing, printing and transmitting rate of Videograph keeps pace with any computer output.

It can translate digital lan-



Synchronized printer instantly scans and relays records to remote points.

guage, edit out unwanted data, and print or display the resulting alphanumeric characters at the terrific speed of 20,000 per second. Both computer and facsimile data can be printed on cards or sheets up to legal size.

This high speed conversion rate will extend the availability, usefulness and efficiency of electronic data processors output.

The new system can reproduce graphic material and computer data simultaneously on one

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printed form. A single sending unit can print facsimile copies at several locations instantly from coast to coast.

Videograph is also capable of scanning and reproducing clear pictures of moving objects—such as freight trains or street traffic.

The heart of the new facsimile printing system is an electrostatic scanning cathode tube. When used to print or display computer coded data, the brain of the unit is the electronic character generator. This translates pulse language into television-type signals representing alphanumeric symbols. These then are fed into the electrostatic printing tube or an ordinary TV receiver. The video signals are then converted into a permanent printed record or a visual display.

When transmitting and receiving units are connected by coaxial cable or microwave link, the electrostatic printing tube makes possible faithful reproduction of almost any type of pictorial or graphic hard copy.

For complete details on this recorded communications development, circle number 257 on the Reader Service Card.



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Both computer users and manufacturers can now draw on the knowledge and experience of a team of experts for answers to programming problems.

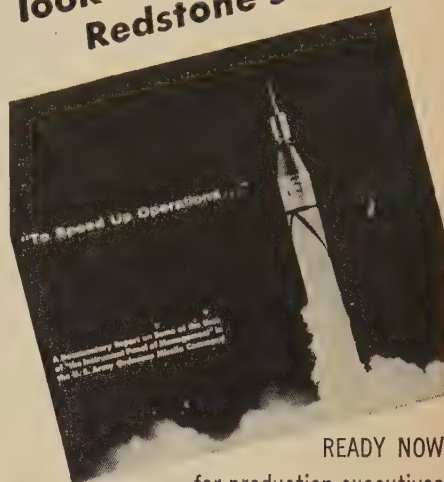
A new firm called Computer Sciences Corp. has been formed to serve the computer field in feasibility studies, applications programming and problem analyses for both scientific and data processing work.

The team will specialize in development of compilers. These units provide a shorthand link between easily understood codes used by programmers and complex language.

Chief objective of the new service is reduction of time and costs in preparation of computer programs, President Fletcher Jones states.

For more information on this programming analysis service, circle number 259 on the Reader Service Card.

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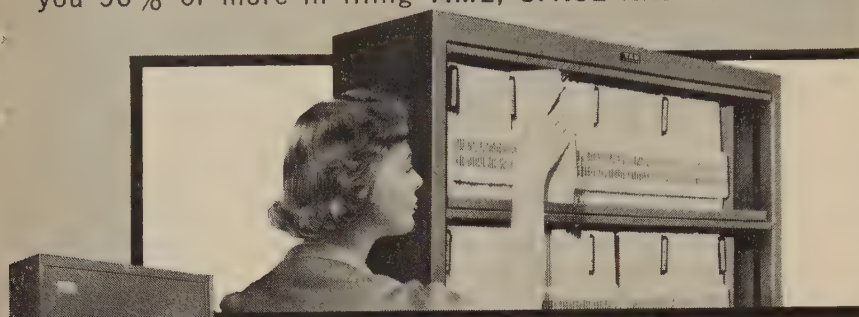
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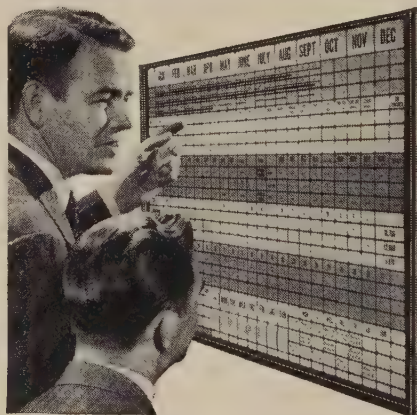
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What's in it for me?

(Continued from page 40)

(e.g., an unadorned lawn, an old car and a protruding copy of *Consumer Reports* are tip-offs to emphasize practicality. A fancy rock garden amidst professional landscaping, a spanking new Cadillac and *Harper's Bazaar* dictate the "elegant" approach).

Other clues to a prospect's material—or psychic—needs:

Individual—job or profession, education, age, vocabulary, number and age of children, clothes, personal adornment, monogrammed possessions, hobbies.

Home—type of dwelling (ranch, split-level, colonial, apartment), neighborhood, décor, furniture (modern, early American, period), art objects, color and number of telephones, size of TV set.

Office—size, décor, furniture, books and magazines, desk ornaments, products and services presently used.

Store—Neighborhood, size, appearance, type of customers (income, education, nationalities, etc.), proximity of competition, number of employees, hours of heaviest and lightest traffic, proprietorship (single, partners, corporation).

2. Ask questions. "There's only one way to find out exactly what the customer wants in this business," says Martin Riskin, assistant banquet manager of the Waldorf Astoria Hotel, "and that's to have him tell you. By asking him what kind of affair he has in mind—a business meeting, a strictly social gathering, a combination of the two—we can narrow down in our own minds the appeals that will most effectively sell him on using the Waldorf."

The side benefits of this approach are important, too. Questions are an agreeable form of flattery—you immediately make the prospect an "expert." By encouraging him to talk, you are in effect saying, "I'm interested in just one thing—satisfying your wants." And since most salesmen usually do the talking, your expressed desire to hear his side of the story will set you refreshingly apart from the competition.

3. Listen. Many salesmen overlook this obvious technique of pinpointing the prospect's needs. A

old customer's complaints . . . a new prospect's objections . . . specific references to the competition . . . questions . . . "irrelevant" observations by a prospect—any of these, properly interpreted, can give you a clue to the all-important benefit your customer is seeking.

For example, an insurance agent who frequently runs into the objection, "Your premiums are too high," knows from experience that that's his cue to appeal to the prospect's desire to save money. "This policy *compels* you to create a nest egg," is his effective reply.

An industrial salesman has found that when a prospect sneers, "You haven't the capacity for such an order," he often means, "Prove to me that you *can* handle this volume of business."

"Then I have my work cut out for me," the salesman explains. "The benefit I hammer away at is quick delivery, which happens to be a specialty of my firm."

Best of all, say the men who have trained themselves to do it—

Selling benefits works wonders for the salesman

■ It puts the timid, unsure salesman who fears being rejected into a confident, poised, positive frame of mind. He no longer sees himself as a seeker of favors, but rather as a conferrer of them.

No longer does he call on a prospect because he has to, but because he wants to.

His thinking runs like this:

"My product (service) can help Mr. Smith save \$10,000 a year (or boost his profits, or get more fun out of life, or increase production, or attract more customers, or live more comfortably, or cut down his overhead, or achieve financial security, or feel better, or save time.

"This is something he doesn't yet know. Once he does, he is bound to be interested in my proposition. All I have to do is prove that the benefits I can deliver are worth more than the dollars they cost.

"They are worth more and I can prove it. When I do, Mr. Smith will be convinced—and buy."

Does the man who thinks like that sell more?

He does. ■

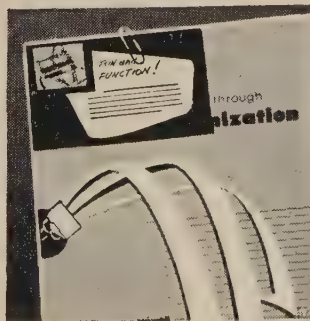
Reprints of this article are available. See details on page 78.

There's a touch of MAGIC in the swift movements of the Phillipsburg Inserter



Optickler!

When you return coupon, it will bring you a living animation device that reveals the amazing stuffing action of the Phillipsburg Inserter. You will also find the brochure fascinating.



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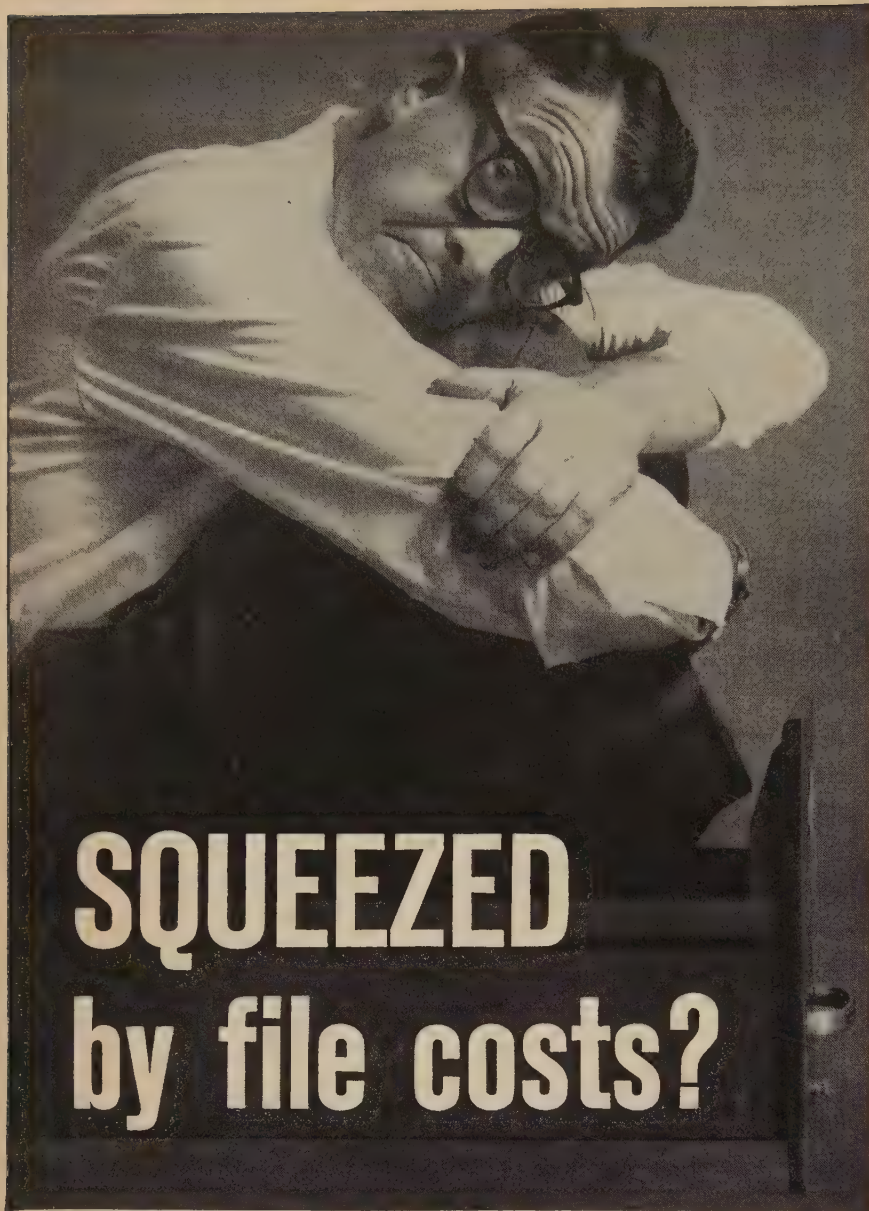
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You see, an 8-shelf VERTI-FILE provides space for 23½ lineal feet of files . . . and at the same time positions them for 35% faster filing plus more efficient usage. A regular 4 drawer file gives only 8½ lineal feet of storage space.

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DELUXE

(Circle number 115 for more information)

Psychological tests

(Continued from page 49)

cover it—or at least give a general indication of the shape of the problem, and how it can be uncovered with more probing and counseling.

One company, American Airlines, uses the findings of its selection tests to counsel even those job candidates who are rejected as stewardesses. Sears, Roebuck sometimes uses test scores as a clue to the placement of rejected applicants. A Chicago steel company psychologist once said: "We are not only interested in finding the right people, but in relaying some of the information we pick up through tests to salvage some of the human wreckage that comes to our employment offices."

6. To improve work environment, policies and organization.

■ Some companies make a rough attempt to size up their workers through post-mortems on projects that have been unusually successful or unsuccessful. In the past few years, real efforts have been made to assess employees objectively through morale audits and employee inventories. The upshot: companies using these techniques have gained fresh glimpses into employee reactions to work pressure, load, conditions, pay, benefits, management confidence, friendliness, effectiveness, security, opportunity, and status of recognition.

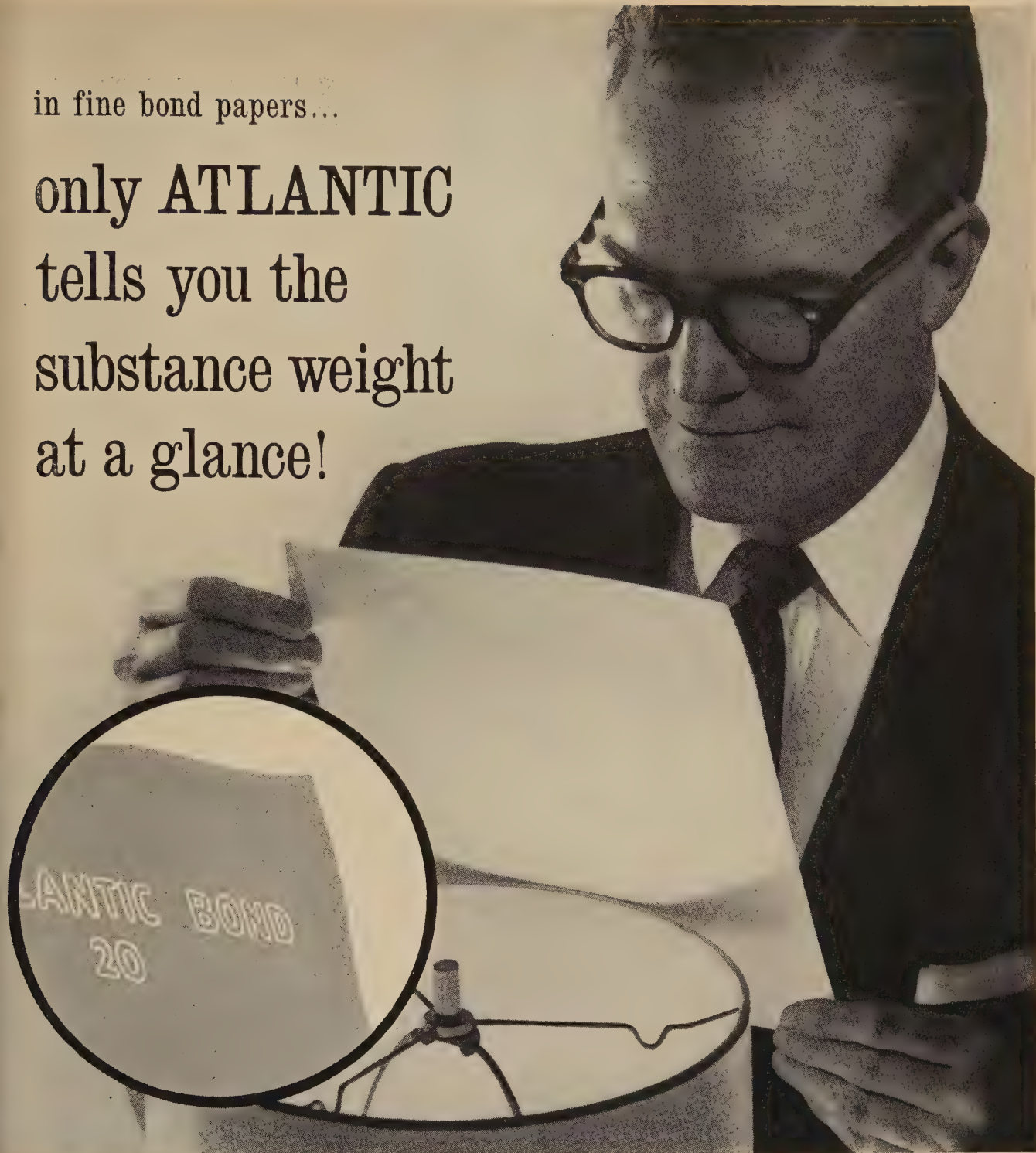
This may seem like a bewildering assortment of items to glean from one test, but the large number of firms that are using this device attest to its merits. As a result of these surveys, management comes to possess clearer visions about itself, its policies, its practices, and its employees.

"Business" says Peter Drucker, "is very much like medicine or law, in both of which you need experience, you need intuition, you need 'feel' . . . But it is the rational, the systematic, the logical discipline of medicine or law which makes the competent doctor and the competent lawyer. Without it, even the medical or legal genius would be a sorry quack."

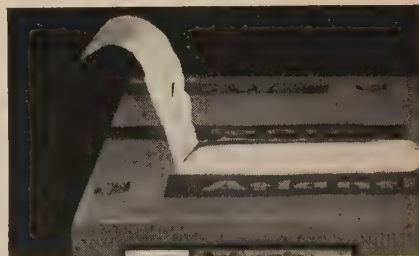
Drucker points out that management, too, needs rational, systematic, logical discipline and tools. One such management tool is tests. To reject tests on the ground that they are not perfect is myopic. ■

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Number

1. How GE selects an industrial site

If you're shopping for a place to put your plant, you can profit from the guideposts that General Electric uses before it moves into a community.

2. Look before you leap to the suburbs

Ready to move to the promised land of the suburbs, this expanding city-based firm stopped to study the facts—and decided to stay put.

3. How to attract business to your community

You can join with other firms to promote the advantages of your area, just as companies in Georgia and elsewhere are doing.

4. You can slash costs by 25% with value analysis

Any company can use this promising new scientific method to turn costs into profits. Here a pioneer in value analysis tells you how.

5. Gradual automation—your small plant can start it now

The facts and case examples in this article offer proof to challenge most of what has been said about automation in small and medium sized plants.

6. Seven ways to build sales with a telephone

Telephone selling costs less than chest-to-chest selling when you use the tested methods described here.

7. Have you considered a company choir?

Firms are finding that few employee programs can match the triple value and the economy they get from a well-organized employee singing group.

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Worker productivity and employee earnings go up dramatically while unit labor costs drop with a solid wage incentive plan. A new study proves it.

9. How to side-step the high cost of accidents

All kinds of assistance to help you get rid of costly accidents is yours for the asking. Here are specific ways to bring accident costs down.

10. How to use seven secrets of persuasion

Selling is scientific. These findings of a Yale study show how, when, and where to get a prospect interested in your product or service.

11. Lease it—don't buy it

The cash-conscious businessman can often free working capital and get tax savings if he leases equipment. These cases show how.

12. How to take the tension out of your job

Tension slows you down. You'll do a better job, reap the added benefits of longer life, better health if you get rid of tension. Here's how to do it.

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From the survey of what editors want in a news release, you can find many helpful tips that can improve your releases' chances of publication.

14. What to do after a fire

Any fire is costly. But you can minimize its effects before it starts and after it's out. Here are cost saving ideas to keep handy in case of fire.

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Employee stock purchase plans bring many benefits to both the

company and employee. Such plans, however, are not free from pitfalls.

16. Jamaica—door to profits in the world markets

Jamaica offers U.S. firms access to "soft currency" markets, generous tax and duty relief, and the right to take profits out in dollars.

AND IN THIS ISSUE

17. How to pack more power in your words

One measure of your executive ability is how well you get your ideas across. Based on the experience of experts, here are eight guides you can use to get more meaning in your words.

18. How to use the powerful question—What's in it for me?

Sales often drop when salesmen plug product features instead of results. If salesmen put themselves in the customer's place and ask "What's in it for me?" things begin to happen.

19. How to size up a man in 10 minutes

You haven't got all day to interview job applicants. Here's a shortcut—a set of eight questions to ask that will give you a quick idea as to whether the man is right for your firm.

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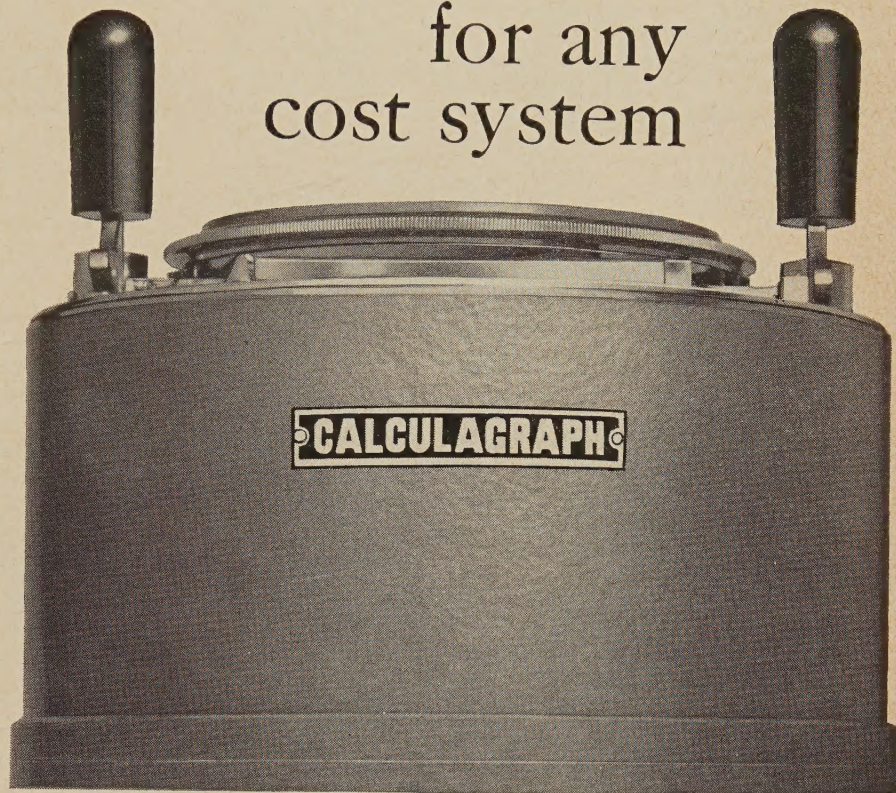
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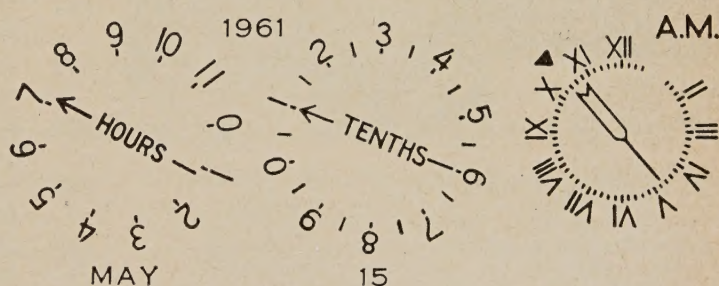
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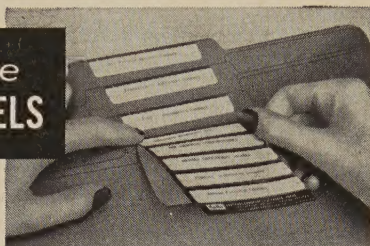
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for busy office workers!

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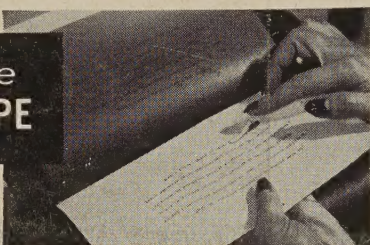


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KEEPS HANDS CLEAN WHEN
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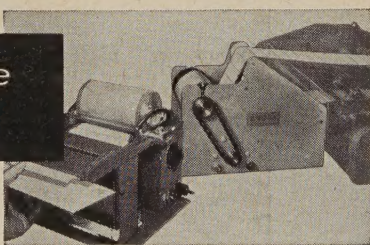


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THAN OLD FASHIONED
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- Stock label sizes, in rolls . . . 3-1/2" x 5/16", 4" x 1-7/16", 5" x 15/16"

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LABELS

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for the asking . . .
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yours today!

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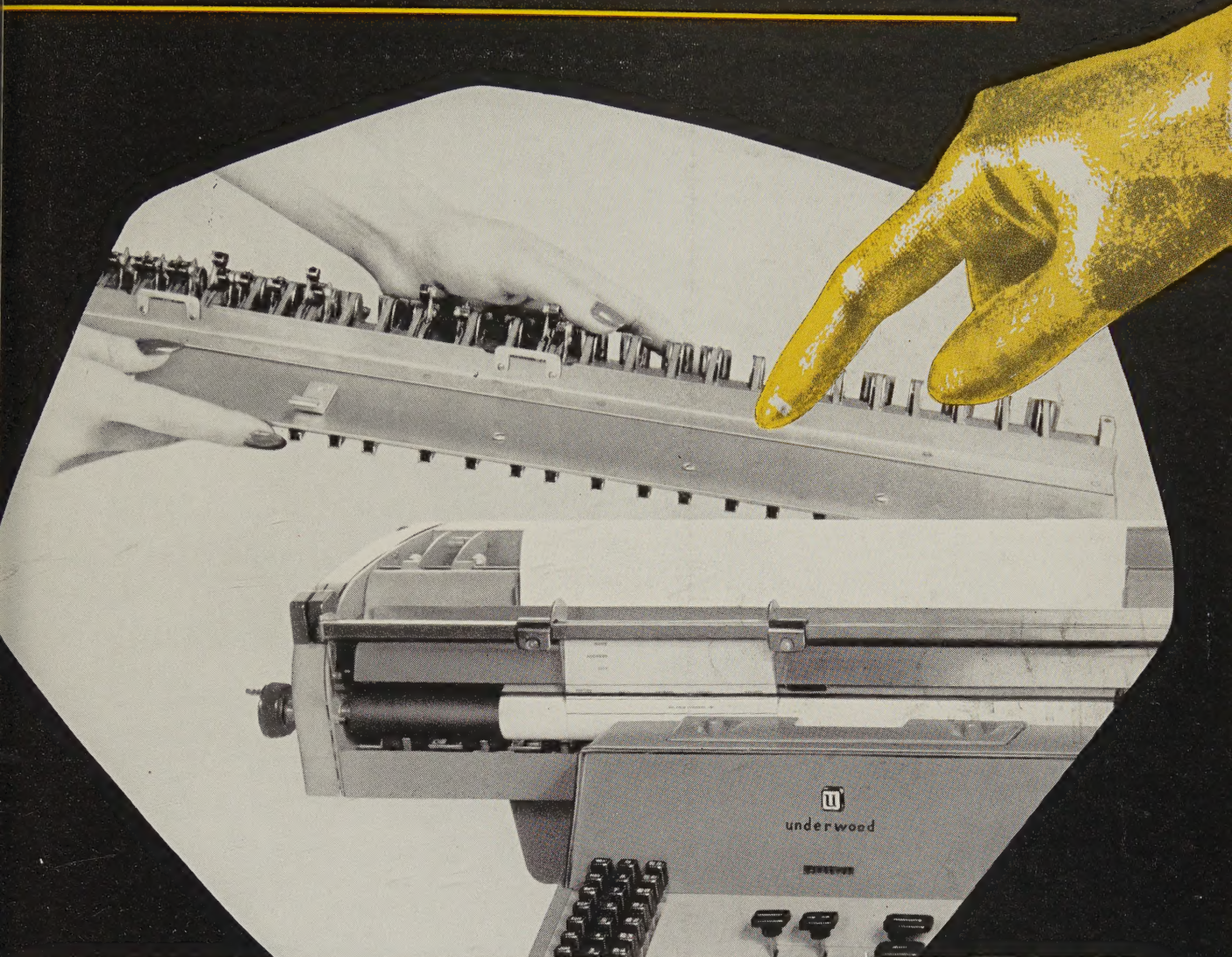
- ☐ File Folder Labels ☐ Correction Tape
☐ Tabulabels

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UNDERWOOD'S GOLDEN TOUCH CREATES A
NEW SELF-SUPERVISING ACCOUNTING MACHINE . . .



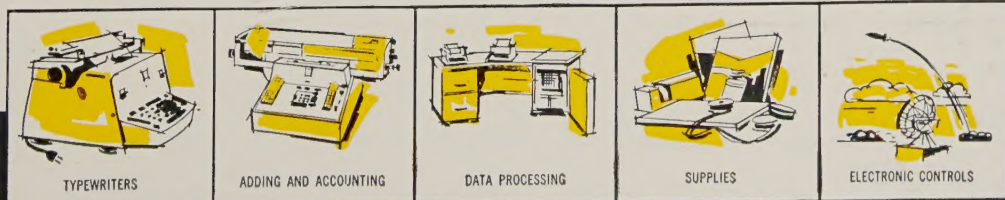
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AN EFFICIENCY FACTOR

**with HAUSERMAN walls,
inevitable changes are
moves for the better**



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THE E. F. HAUSERMAN COMPANY

7341 Grant Avenue, Cleveland 5, Ohio

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MOVABLE HAUSERMAN INTERIOR WALLS

If it's new... you'll find it first in Hauserman

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